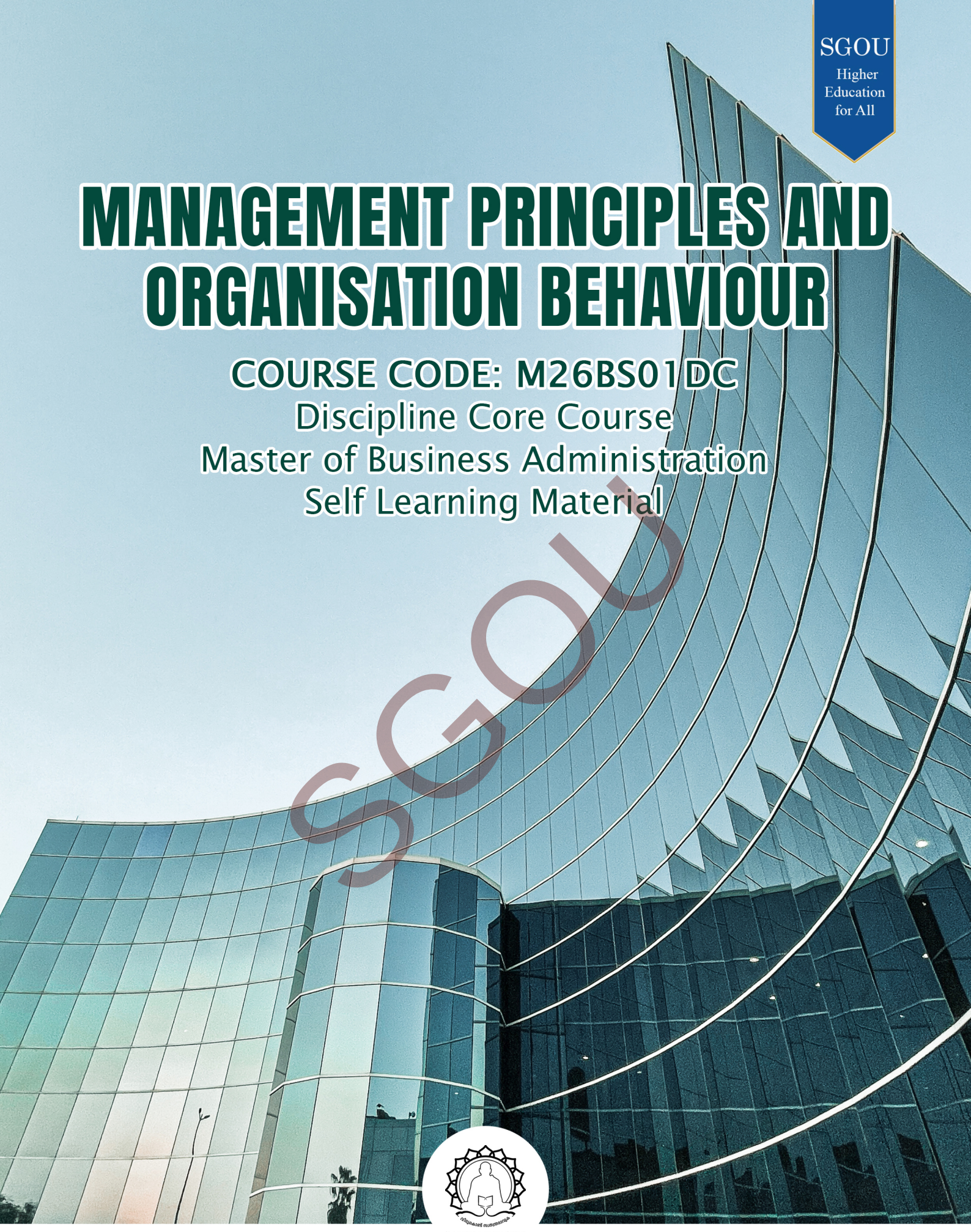
SGOU
Higher Education for All

MANAGEMENT PRINCIPLES AND ORGANISATION BEHAVIOUR

COURSE CODE: M26BS01DC

Discipline Core Course
Master of Business Administration
Self Learning Material



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SREENARAYANAGURU OPEN UNIVERSITY

SREENARAYANAGURU OPEN UNIVERSITY
The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

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Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Management Principles and Organisational Behaviour

Course Code: M26BS01DC

Semester - I

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(With Model Question Paper Sets)

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MANAGEMENT PRINCIPLES AND ORGANISATIONAL BEHAVIOUR

Course Code: M26BS01DC
Semester- I
Discipline Core Course
Master of Business Administration

Academic Committee

Prof. (Dr.) S. Santhosh Kumar
Dr. R. Vasanthagopal
Dr. B. Vijayachandran Pillai
Dr. Hareesh N Ramanathan
Dr. Sreesha C.H.
Dr. Renjni D.
Dr. Sangeetha K. Pratap
Dr. Prashanth M.K.
Dr. Devi Soumyaja

Development of the Content

Dr. Viji Vijayan
Mohammed Aslam A.

Review and Edit

Dr. Gabriel Simon Thattil

Proofreading

Dr. Smarty K. Mukundan

Scrutiny

Dr. Viji Vijayan
Mohammed Aslam A.
Ashish John Ashok
Amar Shariar

Cover Design

Jobin J.

Co-ordination

Dr. Bino Joy
HoS, School of LBS

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MESSAGE FROM VICE CHANCELLOR

Dear Learner,

It gives me immense pride and heartfelt satisfaction to welcome you to Sreenarayanaguru Open University—a transformative space where aspirations are nurtured, potential is unlocked, and futures are shaped with purpose.

Established in September 2020 as a pioneering state initiative, the University stands as a symbol of inclusive, accessible, and high-quality higher education. Anchored in our guiding philosophy—"access and quality define equity"—we are committed not merely to expanding educational opportunities, but to ensuring that every learner receives an education that is meaningful, relevant, and transformative.

Our journey is deeply inspired by the timeless vision of Sreenarayana Guru, whose ideals of knowledge, equality, and social empowerment continue to illuminate our path. His philosophy reminds us that education is not just a means to an end, but a powerful instrument for personal growth, societal progress, and human dignity.

In a rapidly evolving and digitally driven world, we recognize that learning must be flexible, dynamic, and future-ready. Our thoughtfully designed blended learning ecosystem—integrating Self-Learning Materials, Classroom Counselling, and Virtual Learning Platforms—ensures that you experience the best of both independence and guided academic engagement. This model empowers you to learn at your own pace while staying meaningfully connected to academic support systems.

The MBA programme at Sreenarayanaguru Open University is not just a degree—it is a gateway to leadership, innovation, and professional excellence. The curriculum is meticulously curated to reflect the realities of the contemporary global business landscape, seamlessly blending foundational management principles with cutting-edge developments in business and technology. You will explore and engage with:

- Strategic management and entrepreneurial thinking
- Digital transformation, FinTech, and emerging technologies
- Logistics, supply chain, and global business ecosystems
- Consumer behaviour and evolving market intelligence
- Human resource management in the age of Artificial Intelligence
- Ethical leadership and sustainable decision-making

Designed with a multidisciplinary and future-oriented perspective, the programme offers diverse specializations, skill enhancement pathways, and exposure to innovative domains that align with industry expectations. It is structured to strengthen your employability, entrepreneurial mindset, and leadership capabilities—equipping you to excel in competitive and complex professional environments.

Our Self-Learning Materials are crafted with exceptional care, combining conceptual clarity with real-world relevance through case studies, contemporary examples, and practical insights. They are designed not only to inform but to inspire critical thinking, problem-solving, and adaptability—skills that are essential in today's disruptive and ever-changing business world.

At the heart of our mission lies an unwavering commitment to learner success. Our comprehensive learner support system is always within your reach, ensuring that your academic journey remains smooth, enriching, and fulfilling. We encourage you to actively engage, explore, question, and grow—because your success is the true measure of our purpose.

As you begin this important journey, I invite you to dream boldly, learn continuously, and lead responsibly. Let this programme be a stepping stone towards achieving your ambitions and making a meaningful impact in the world.

May your journey here be one of discovery, empowerment, and excellence.
With my best wishes for your success and lifelong learning,



Prof. (Dr.) Jagathy Raj V. P.
Vice Chancellor

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1 BLOCK

INTRODUCTION TO MANAGEMENT

Unit 1

Basics of Management

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ explain the meaning and significance of Management in an organisational context
- ◊ describe the key functions and roles performed by managers
- ◊ identify the role and functions of managers at different levels
- ◊ distinguish between *Management* and *Administration* in theory and practice

Background

All forms of organisation need to be well managed. This is true for business, government, education, healthcare or even in informal organisations taking the form of clubs and societies. Scientific principles of planning, organising and effectively operating organisations are very crucial, and this is precisely addressed in a well-organised discipline called Management. The need for coordination, goal-setting, delegation, and decision-making arises wherever people come together to achieve collective goals. In the modern era of increasing complexity and competition, the role of effective management has become even more significant in ensuring organisational success, adaptability, and sustainability.

The basic principles of management would address how organisations should function and meaningfully support operations in order to achieve strategic goals. Having well-set policies in place to successfully plan activities and execute them to achieve desired goals is the essence of management.

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Keywords

Management, Objectives of Management, Levels of Management, Managerial Roles, Functions of Management, Administration, Coordination, Managerial Qualities, Organisational Goals

Discussion

Management as a discipline is a science, art, profession, and process in the functional domain. As a discipline, it introduces and guides the functions of planning, organising, coordinating, controlling and directing. These functions are the most crucial and inevitable for any organisation, irrespective of its size, nature, or activities it performs. Management is fundamentally the driving force of an organisation for its best performance; it focuses on the fruitful accomplishment of the objectives at hand.

Let us discuss the concept of Management in detail. Let us discuss the concept of management in detail.

1.1.1 Meaning and Definition

All organisations are fundamentally formed to attain desired objectives. They work towards the attainment of their objectives in a planned form. Organising themselves, seeking resources and being directional in their pathway are the functional elements that determine their success. Management is a vibrant and dynamic function of business organisations. It is a fundamental prerequisite for the efficient functioning of all business activities which involve group effort. With the advent of the industrial revolution, the development of corporate forms of organisations and frequent changes in the socio-economic scenario, coupled with technological advancement, the importance of Management has enormously increased.

Today, Management is considered a vital function of organisations, and it is imperative for the successful running of all business units. An organisation originates when a group of persons join and work for the accomplishment of a given job. To attain a given goal or objectives, it needs the logical arrangements of the '6 Ms' of industries, namely men, material, money, machinery, methods and Management. Management is the element that initiates organisational activity, brings order, and systematises procedures to achieve desired objectives.

Let us know more about various concepts of Management.

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1.1.2 Concept of Management

Eminent Management thinkers and scholars like F.W Taylor, Henry Fayol, Max Webber, Elton Mayo, Abraham Maslow, and Peter Drucker have significantly contributed toward the evolution of Management. Similar to this prominent philosophers and thinkers has come up with various schools of thought on Management in the context in which they visualise the same. The various schools of thought on the Management are discussed below.

1. Management is what the manager does (Henry Fayol)

Management is what a manager does to achieve goals and coordinate resources efficiently. According to Henry Fayol, who is known as the 'father of management', "to manage is to forecast and plan to organise, to command, to coordinate and to control".

Imagine a soccer team with a coach as the manager. The coach plans strategies for each game (planning), assigns positions to players (organising), communicates tactics and motivates the team (coordinating), and adjusts tactics during the match (controlling). The coach ensures players work together, maximising their strengths to win the game. Similarly, in any organisation, a manager plans, organises, coordinates, and controls resources like people, time, and budget to achieve objectives effectively. They lead the team, making critical decisions and driving success through their management skills.

2. Management is the art of getting things done (Mary Parker Follet)

It is the art of getting things done efficiently and effectively. Mary Parker Follet defines Management as "the art of getting things done through others". Imagine a chef running a busy kitchen. The chef plans the menu, organises the ingredients and kitchen staff, coordinates cooking processes, and ensures the dishes meet quality standards (planning, organising, and coordinating). They also control the cooking time and temperature to deliver perfectly cooked meals (controlling). The chef's management skills ensure smooth operations, timely delivery, and customer satisfaction. Similarly, in any organisation, Management involves the art of planning, organising, coordinating, and controlling resources to achieve objectives, just like the chef arranges a successful kitchen to serve delightful meals.

3. Management is the development of people (Lawrence Appley)

According to Lawrence Appley: "Management is the development of people and not the direction of things". Management involves developing people's potential. For example, recall the earlier example of soccer team and coach as the manager. The coach identifies players' strengths, offers individualised training, fosters teamwork, and provides feedback. Similarly, in organisations, Management invests in employee growth, offering training and support to build a skilled and motivated workforce.

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Management as a profession

A profession is a well-defined body of knowledge which is learned intellectually and in an organised way. A profession basically refers to an occupation which requires specialised skills. It is an occupation backed by specialised knowledge and training. The basic requirements of the profession are:

- ◊ Existence of skills and a specialised body of knowledge
- ◊ Availability of formal method of training and experience
- ◊ Existence of a professional organisation
- ◊ Formal ethical code of conduct for the guidance of its members.
- ◊ Charge of fees based on the nature of services rendered.

Management is a relatively new and emerging branch of knowledge. It is developing as a profession because of the need to acquire skills and expertise for solving various managerial issues.

Management is both an Art and a Science

Art involves the application of skill, and science involves the practical application of theoretical knowledge. Management is a combination of an organised body of knowledge and skilful application of this knowledge. Effective performance of management functions needs an adequate basis of knowledge and a scientific approach.

Management is an art because it requires creativity, intuition, and unique approaches to solve problems and make decisions. It is a science because it involves data analysis, systematic processes, and evidence-based strategies to achieve goals efficiently and effectively. The combination of creativity and precision makes Management both an art and a science.

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1.1.3 Characteristics of Management

The various characteristics of Management are represented in terms of how they work in an organisational context. These characteristics are discussed below:

i. **Management is an integrated process:** Basically, Management is an integrating force which binds or pulls the organisation into motion. It harmoniously links and unites the entire functions for the accomplishment of the defined objectives at hand.

ii. **Management is goal-oriented:** The accomplishment of specific objectives is the core function of Management. The fundamental principles of Management are applicable to everyone in the organisation. The manager must perform the same functions at all levels of the organisation. Thus, Management is universal and found everywhere.

iii. **Management is a social process:** Management is commonly referred to as a social process due to the presence of interpersonal relationships. Human factor is the most valuable factor in the organisation because it is governed by social values, culture, and beliefs.

iv. **Management is situational:** The management function sometimes focuses its attention on situations. Thus, the decisions are made accordingly. The successful managers always consider the gravity of a particular situation and act accordingly.

v. **Management is a distinct activity:** The speciality of management function is that it always shows a distinct status. Each function has its own role in the accomplishment of a common goal. Thus, each function of the Management can be regarded as a separate compartment having a distinct function.

vi. **Management is a continuous process:** Management is not a one-time process, but it is a continuous process. A continuous effort is required for the successful accomplishment of goals. Therefore, the management process should continue as long as the organisation exists. Similarly, without proper and effective Management, no organisation can continue successfully.

vii. **Management is multidisciplinary in nature:** The basic nature of Management is multidisciplinary. The Management always considers the skill and knowledge derived from other disciplines like Sociology, Anthropology, Psychology, Economics, etc., as Management in an organisation is mainly concerned with managing people and other resources at work. Hence, Management is multidisciplinary in nature.

1.1.4 Objectives of Management

Management is directed toward achieving certain broad objectives that ensure the survival, growth, and balanced development of an organisation. These objectives can be grouped under three major categories: Organisational Objectives, Social Objectives, and Individual Objectives.

1. Organisational Objectives

Organisational objectives are concerned with the overall functioning, stability, and growth of the organisation. These objectives ensure that the organisation achieves its primary goals effectively and efficiently.

The major organisational objectives include:

◊ **Survival:** Ensuring continuity of business operations in a competitive environment.

◊ **Growth and Expansion:** Planning for future development and exploring opportunities for business expansion through forecasting and strategic planning.

◊ **Profitability:** Generating reasonable returns to sustain and strengthen the organisation.

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- ◊ **Efficient Utilisation of Resources:** Ensuring optimum use of men, material, money, machinery, and methods.
- ◊ **Policy Formulation and Planning:** Establishing sound policies and structured plans to guide organisational activities.
- ◊ **Performance Evaluation:** Periodical assessment of activities to ensure achievement of goals.
- ◊ **Organisational Sustainability:** Adopting sustainable practices for long-term stability and environmental responsibility.

2. Social Objectives

An organisation does not operate in isolation. It functions within a society and must fulfil certain responsibilities toward various stakeholders such as customers, employees, government, and the community.

The major social objectives include:

- ◊ **Provision of Quality Goods and Services:** Ensuring regular supply of products and services that satisfy customer needs.
- ◊ **Ethical Business Practices:** Maintaining fairness, transparency, and compliance with legal standards.
- ◊ **Employment Generation:** Creating job opportunities and maintaining industrial harmony.
- ◊ **Contribution to Economic Development:** Supporting industrial development and contributing to national economic growth.
- ◊ **Environmental Responsibility:** Promoting sustainable and eco-friendly business practices.

3. Individual Objectives

Management must also consider the personal needs and aspirations of individuals working in the organisation. Fulfilment of individual objectives increases motivation and productivity.

The major individual objectives include:

- ◊ **Mobilisation of Human Resources:** Identifying and positioning suitable personnel for various tasks.
- ◊ **Employee Development:** Providing training and growth opportunities.
- ◊ **Job Satisfaction and Recognition:** Ensuring fair compensation and acknowledging performance.
- ◊ **Career Advancement:** Creating opportunities for professional growth and promotion.

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Effective management balances organisational efficiency, social responsibility, and individual development. Only when these three dimensions operate harmoniously can an organisation achieve sustainable growth and long-term success.

1.1.5 Significance of Management

Management is an extensive, broad, and comprehensive subject, and its scope is not limited to he business field, but it encompasses so many other fields, such as social, political, religious, military, private and public sectors. Today, the impact of management has attracted so many emerging areas such as labour management, charitable organisations, hospitality industry, etc. The importance of management is increasing day by day.

According to Peter Drucker, the pioneer in developing the concept of management, "Without management, the resources of production remain idle and will never become productive". These words reveal the importance of management. The importance of management can be best understood through the summative impact it creates under the following heads:

i. **Optimum utilisation of resources:** Every business tries to ensure the optimum utilisation of resources with the help of efficient and motivated workers under the supervision and control of qualified managerial persons. Efficient use of materials, machinery, finance, time and available services is done through men. Motivated, efficient human resources would, in turn, enable optimum utilisation of all resources.

ii. **Achievement of Organisational Goals:** The management is a powerful mechanism for the accomplishment of organisational goals through efficient planning and control. All efforts are made in strategically setting objectives to be achieved by departments and centres, which are aligned to the organisational goals, and efficient directional pathways are created.

iii. **Managing Change and Disruptive Technology:** The present-day management is equipped with the measures to meet the changes due to several factors, such as technology, fashion, preferences of customers, etc. Management addresses disruptive and obsolete models.

iv. **Stability and Exponential Growth:** The modern business organisations focus on growth and development. Stability is one of the core objectives, through proper control and coordination, regular work efficiency is maintained. Potential for growth is continuously ascertained in terms of scanning the business environment.

v. **Fulfilment of Social Obligations:** Management is highly useful for the fulfilment of social obligations. It has a lot of working plans to meet the needs of society. In the present scenario, big or giant businesses have a separate division for this purpose under the head of corporate social responsibility.

vi. **Economic growth:** Economic growth of the nations is enabled by better management practices at organisational levels. Management plays a vital role in

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the economic development of a nation through increased productivity, provision of employment, better quality products and services.

Case Study:

Turning Around GreenLeaf Organics – A Startup in Kerala

GreenLeaf Organics, a small startup in Kerala producing snacks from organic inputs, was founded in 2018 by three friends. Initially, the business was run informally. The founders handled everything themselves—purchasing raw materials from local farmers, preparing snacks in a small rented facility, packaging, and selling at weekend markets. In the first year, sales were modest but steady, and customer feedback was positive.

As demand grew and online orders started coming in, the business faced difficulties. With no clear division of responsibilities, all three founders often worked on the same tasks, leading to confusion. Delivery delays increased by 30%, customer complaints about inconsistent product taste and packaging rose, and monthly expenses frequently exceeded revenue due to poor financial tracking. Employees also felt demotivated because roles were unclear, and decisions were often delayed.

In 2021, the founders decided to professionalise their management approach. They hired an Operations Manager to oversee production, standardise recipes, and introduce a quality control system. A Marketing Manager was appointed to focus on social media campaigns, online sales, and new partnerships with organic stores. A Finance Manager took charge of maintaining accounts, monitoring cash flow, and preparing monthly budgets.

They also introduced weekly team meetings, a performance evaluation system, and clear job descriptions for each employee. Training sessions were organised for workers on hygiene and packaging standards.

Within six months, the changes brought visible improvements. Production capacity increased by 25%, delivery delays were reduced significantly, and online sales grew by 40%. Employee satisfaction improved as responsibilities became clearer and achievements were recognised. The company also expanded its reach by signing contracts with two supermarket chains in Kochi.

The GreenLeaf Organics case highlights how structured management—through planning, organising, coordinating, and controlling—can transform a struggling startup into a growing, sustainable business.

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Questions

1. What problems did GreenLeaf Organics face as it started growing?
2. What were the good Management practices which helped in improving the company's performance?
3. Identify the good managerial qualities that were revealed in this case.

As discussed, every organisation needs proper management, but the nature of management varies depending on where, when, and how it is being applied. However, there may be certain basic features that can be attributed to the term management, which is explained below.

1.1.6 Levels of Management

For the sake of convenience, the management process in an organisation can be divided into subdivisions or levels. These subdivisions are inevitable for administrative convenience and managerial efficiency. Levels of management are the divisions of the levels of managerial positions in an organisation. It involves a method of spreading the total task of management among various positions with varying degrees of authority.

1.1.6.1 Top-level Management

It is the top positions in the organisation structure involving the highest policy-making roles of an institution. It includes the Board of Directors, high-ranking officers like the president / Chairman, Managing Director/CEO, General Manager and Assistant General Managers. They are the responsible body for formulating the basic broad policies, making major decisions, and managing the business operations successfully. These people have a high degree of functional competence, knowledge and vast experience in their respective fields.

The functions of top-level management include;

- ◊ establishing long-term corporate plans for the organisation,
- ◊ design policies for recruitment, promotion and development of employees.
- ◊ formulation of sound financial plans,
- ◊ deciding working capital requirements,
- ◊ management of corporate profit,
- ◊ review and appraisal of the performance of employees,
- ◊ appointing departmental heads and key executives,
- ◊ directing organisational activities towards organisational goals.

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The top-level Management is fully responsible to the stakeholders of the organisation, including shareholders, investors, and the general public. Commonly, the General Manager (GM) of the undertaking acts as the chairman of the Board. It is a supreme position in the organisation structure and coordinates the policies of the Board with the Management.

1.1.6.2 Middle Level management

The middle-level management is the link between top-level management and lower-level management. They are the second line or level of management. This level includes all Departmental Managers, Branch Managers, Deputy Managers, Assistant Managers, etc.

The functions of middle-level management are as follows.

- ◊ To monitor and control the operating performance
- ◊ Developing the operational level plans.
- ◊ Create confidence among top and middle-level management
- ◊ Interpret and explain the plans and policies, and maintain a high degree of discipline
- ◊ Lay down rules to be followed by supervisory personnel

1.1.6.3 Lower-Level Management

It consists of a supervisor and doers at the lower level. They are responsible for the day-to-day activities of the concern. Therefore, they are the supervisory staff in the concern. They do not possess any kind of executive powers. The primary task of these people is to supervise the workers under their responsibility.

Functions:

- ◊ Supervise and control the operations of workers and thereby maintain personal contact with them
- ◊ Advise and assist the workers by explaining the work procedures
- ◊ Arrange training programmes for the workers.
- ◊ Plan the conduct of the day-to-day activities.
- ◊ Report the workers' problem back to the top management as feedback.

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The following figure illustrates the hierarchical structure of management levels in an organisation, highlighting the flow of authority from top-level management to lower-level management and the differentiation of roles and responsibilities at each level.



Figure 1.1.1 Levels of Management

1.1.7 Functions of Management

Management is a dynamic and systematic process performed through a set of interrelated functions. These functions provide a framework through which managers coordinate activities and achieve organisational goals. Irrespective of the size or nature of an organisation, the managerial process generally consists of five basic functions: Planning, Organising, Staffing, Directing, and Controlling.

These functions are continuous and interconnected. Each function supports the other, and together they ensure the efficient functioning of the organisation.

To understand how these functions operate in practice, consider the following example.

Azel Sol Limited is an American multinational technology company. To inspire the employees, the company gives away the 'best employee award' every year. For the past three consecutive years, Mr Jacob Preston, General Manager of the company, has been receiving this award. He received this award for his hard work, dedication, and loyalty towards the company. He joined the company 15 years ago as an Assistant Manager and worked his way to the top of the management hierarchy.

As a major portion of Mr Preston's career was spent in management positions of the company, his responsibilities always revolved around planning, Organising, staffing, directing, and controlling activities. These are the major fundamental functions of management. The roles and responsibilities of management are based on these five basic functions, which are explained below.

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1.1.7.1 Planning

As the General Manager of Azel Sol Limited, Mr Preston is responsible for planning the future course of action for the company and creating the blueprint and communicating with the employees, i.e., he is responsible for planning the organisational activities.

Planning function of management involves developing organisational goals, the future course of action (Plan) and control standards, thereby pre-emptively deciding on the appropriate course of action to achieve these goals.

1.1.7.2 Organising

In Azel Sol Limited, Mr Preston is responsible for bringing together all the activities for the achievement of organisational goals. Many resources, including the workers, are required to perform varied activities, and bringing everything together in an orderly manner is the task of the manager, which is called organising.

The 'Organising' function of management involves bringing together physical, financial, and human resources and developing productive relationships amongst them for the achievement of organisational goals. That is, coordinating all aspects of an organisation to achieve its goals.

1.1.7.3 Staffing

Mr Preston takes up the task of appointing the personnel in vacant positions in Azel Sol Limited. He analyses the jobs available in the company and identifies the required number of people to do the job, and appoints them after proper procedures. This function is called staffing.

Staffing function of management involves manning the organisation's structure and keeping it manned. It aims to put the right man for the right job at the right time.

1.1.7.4 Directing

As general manager of Azel Sol Limited, Mr Preston guides the work of each department and the employees working under him. He is responsible for leading them, giving instructions, and communicating with everyone to run the business smoothly. This function is called directing.

Directing function of management involves influencing, guiding, supervising, and motivating the employees through effective communication for the achievement of organisational goals.

1.1.7.5 Controlling

In Azel Sol Limited, Mr Preston is responsible for establishing standard operating procedures and goals, as well as ensuring that they have been materialised as per plan. He must ascertain the actual performance of the company and compare it with the set standards. This is called the controlling function.

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Controlling function of management involves measuring accomplishments against the established standards and correcting deviations if required, to ensure the achievement of organisational goals.

1.1.8 Managerial Roles

The functions or processes are common among all organisations. In the traditional and contemporary view, management typically consists of three levels of managers: top-level managers, middle-level managers and lower-level managers. Top-level managers are responsible for developing the organisational strategy, its vision and mission. The middle-level managers are responsible for interpreting these strategies and deciding on the actions to achieve these strategies. The lower-level managers are responsible for implementing these actions.

In general, managers are responsible for the processes of getting things done efficiently with and through other people, thereby contributing to the overall realisation of organisational goals. There have been many studies that try to generalise what managers do or what their roles and responsibilities are in an organisation. The most noteworthy among them was by a Canadian academic and management author, Professor Henry Mintzberg, in the early 1970s. After observing many managers around for several weeks, Mintzberg concluded that the nature of managerial work has changed very little since its conception, and to meet the demands of performing the managerial functions, managers assume multiple roles. He identified ten roles of managers that are common for the entire management in his book, "Mintzberg on Management: Inside our Strange World of Organisations", published in 1990.



Figure 1.1.2: Mintzberg's Managerial Role

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As per Henry Mintzberg, management roles can be classified into three distinct categories: Informational Roles, Interpersonal Roles, and Decisional Roles. This is as depicted in the above figure.

As mentioned earlier, Mr Preston has played many roles during his tenure at Azel Sol Limited. During his tenure in the company, Mr Preston has played many roles such as being a figurehead, leader, liaison officer, monitor, disseminator, spokesperson, entrepreneur, resource allocator, disturbance handler, negotiator, etc. These roles are based on the inflow, processing, and outflow of information in an organisation. Let us explore and understand each role one by one and their corresponding responsibilities.

1.1.8.1 Informational role

As General Manager, Mr Preston is responsible for collecting and disseminating information to different departments as required by Azel Sol Limited. This is the informational role of a manager, which is explained below.

These roles are based on receiving and sending information. According to Mintzberg, the role of Management in this category involves processing information such as the monitor, disseminator, and spokesperson for the organisation.

i. **Monitor**

Mr Preston constantly monitors the governing policies so that he can implement necessary changes to the operations of Azel Sol Limited. This is one of the informational roles of a manager.

All Managers regularly seek out information related to the organisation and industry, especially regarding relevant changes in the environment. Further, they have the responsibility to monitor their department in terms of productivity and personnel well-being. It is the most common responsibility of every manager in an organisation.

ii. **Disseminator**

Thirteen years back, when Mr Preston was an Assistant Sales Manager, he was the one who updated the revised sales targets to the respective sales team members of Azel Sol Limited. This is the disseminator role of a manager.

Managers have the responsibility to communicate between their departments and the rest of the organisation regarding key information. The first-line managers are responsible for weighing the value of the information they receive from top managers, then disseminating only relevant information that is necessary for employees to further their contributions to organisational goals. The managers have a responsibility to make sure that the employees understand what they need to be successful in their jobs.

iii. **Spokesperson**

Mr Preston represents Azel Sol Limited in many public forums. He has revealed new products in various press conferences. This is the spokesperson role of a manager.

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Managers represent and speak for the organisation. In this role, managers are responsible for communicating about the organisation and its goals to the outside world. Top managers act as the voice of the organisation. So, they must be careful even in their personal opinions, as it will come in the name of the organisation.

1.1.8.2 Interpersonal roles

Mr Preston always makes sure to maintain good relationships with his colleagues and outsiders. This is the interpersonal role of a manager, which is explained below.

These roles are based on leadership and the interaction of Management with other people. According to Mintzberg, the managerial roles in this category involve providing information and ideas. That is based on the circumstances, a manager needs to act as a figurehead, a leader, and a liaison officer.

i. **Figurehead**

Mr Preston has represented many departments in Azel Sol Limited as the General Manager at the company meetings over the years. This is the figurehead role of a manager, which is explained below.

Managers are heads of their departments in the organisation. They have legal, ceremonial, and social responsibilities. It is often top managers who fulfil figurehead responsibilities. They mostly serve as the public face of the management team and represent the organisation in legal, economic, and social forums.

ii. **Liaison**

Ten years back, when Mr Preston was a Sales Manager, he had mediated many deals with his sales team members and customers in Azel Sol Limited. This is the role of a manager as a liaison.

The manager communicates with many people outside their department. They liaise between other departments and people outside the organisation. It is mostly the immediate managers who liaise between middle Management, employees, and people outside the organisation.

1.1.8.3 Decisional role

Mr Preston is responsible for making decisions regarding the distribution of resources to various departments of Azel Sol Limited. This is the decisional role of a manager, which is explained below.

Managers are responsible for decision-making, and they can do this in different ways at different levels. Entrepreneur, Resource Allocator, Disturbance Handler and Negotiator are the managerial roles that fall under the category of Decisional Role.

i. **Entrepreneur**

Mr Preston usually takes up the task of convincing the Board of Directors to invest

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in new ventures for Azel Sol Limited. Here, the idea and vision of generating new investments is done by the manager himself. This is the entrepreneurial role of a manager.

The top-level managers in the organisation have the responsibility of entrepreneurs. They are required to identify economic opportunities and strengths of the organisation as well as to initiate strategies and changes to be successful in the market.

ii. **Disturbance Handler**

As a General Manager, Mr Preston is responsible for handling disputes between managers and staff in Azel Sol Limited. Any problems arising within the organisation invite his interference as the manager, and proper solutions must be sought out. This is the disturbance handler role of a manager.

It is the responsibility of top and middle managers to tackle disturbances or unexpected events in the organisation, whether internal or external. They must assess and decide the corrective actions to resolve the problems.

iii. **Resource Allocator**

Mr Preston allocates resources to every department as per the annual plan of Azel Sol Limited. This is the resource allocator role of a manager.

It is the responsibility of every manager to make resource allocation decisions. This decision must always be taken based on whether the decision affects the entire organisation, a single department, or a particular task or activity.

iv. **Negotiator**

As a General Manager, Mr Preston is responsible for negotiating with distributors of Azel Sol Limited. This is the negotiator role of a manager.

It is the responsibility of top and middle-level managers to carry out most negotiations, based on how it affects the organisation. Top managers are responsible for handling negotiations that affect the entire organisation, like union contracts or trade agreements, whereas middle-level managers negotiate on matters related to salary and hiring.

Managers play many roles. They are mostly assessed based on the performance of their roles and responsibilities. It is always better to have a diverse management team in an organisation, as it ensures that the Management has a diverse talent pool to tackle various challenges confronted by the organisation. The most successful organisations have the best strategies along with managers who can assume multiple roles and responsibilities while performing their job.

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1.1.9 Qualities of a Manager

A manager is the driving force behind the smooth functioning of an organisation. They plan, organise, direct, and control various activities to achieve defined objectives. To perform these functions effectively, a manager must possess certain personal attributes and professional capabilities. These qualities not only enhance managerial effectiveness but also help in creating a motivated and cohesive workforce.

Below are some of the essential qualities of an effective manager:

1. **Vision and Goal Orientation**

A competent manager must have a clear vision of where the organisation is headed and should align team efforts toward achieving these goals. Strategic thinking and foresight enable managers to anticipate challenges and seize opportunities.

2. **Sound Decision-Making Ability**

Managers are constantly required to make decisions that impact organisational outcomes. Good decision-making involves analysing information, evaluating alternatives, and choosing the most appropriate course of action in a timely manner.

3. **Leadership and Motivational Skills**

An effective manager is also a leader who inspires, guides, and motivates team members. By setting an example, delegating responsibilities appropriately, and maintaining high morale, managers ensure that teams perform to their fullest potential.

4. **Effective Communication Skills**

Clear and concise communication is essential for sharing objectives, giving instructions, and resolving misunderstandings. A manager should be an active listener and communicator to build trust and ensure smooth coordination.

5. **Emotional Intelligence**

The ability to understand and manage one's emotions, along with being sensitive to the emotions of others, is crucial. Managers with high emotional intelligence foster strong relationships, resolve conflicts effectively, and promote a positive work environment.

6. **Integrity and Ethical Conduct**

Honesty, fairness, and adherence to ethical standards build credibility. Managers who demonstrate integrity earn respect from employees and establish a culture of trust within the organisation.

7. **Adaptability and Problem-Solving Skills**

In a constantly changing business environment, managers must remain flexible and innovative. The ability to handle uncertainty, solve problems creatively, and adjust strategies is vital for sustaining success.

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8. **Technical and Professional Competence**

A manager should have a solid understanding of the technical aspects of the job and keep up to date with industry trends. Professional competence enhances confidence in decision-making and ensures effective guidance to the team.

9. **Strong Human Relations Skills**

Since Management is largely about working with people, building positive interpersonal relationships is essential. Listening to employees' concerns, showing empathy, and promoting teamwork strengthen organisational unity.

10. **Confidence and Assertiveness**

A good manager is self-assured and willing to take responsibility for decisions. Assertiveness enables them to express opinions clearly, negotiate effectively, and handle challenges without undermining others.

1.1.10 Management and Administration

Management and administration are the two closely related concepts that are essential for the successful operation of the business. Some suggest that there is no fundamental difference between the two. But some others suggest that there is a difference between the two terms because both represent different activities.

Let us have a look at the difference between the terms.

Administration is the process of formulation of broad objectives, plans and policies, while Management is the process of getting things done through others by guiding their efforts towards the achievement of predetermined objectives. Let us examine the scope of the terms at different levels of Management through the figure below.

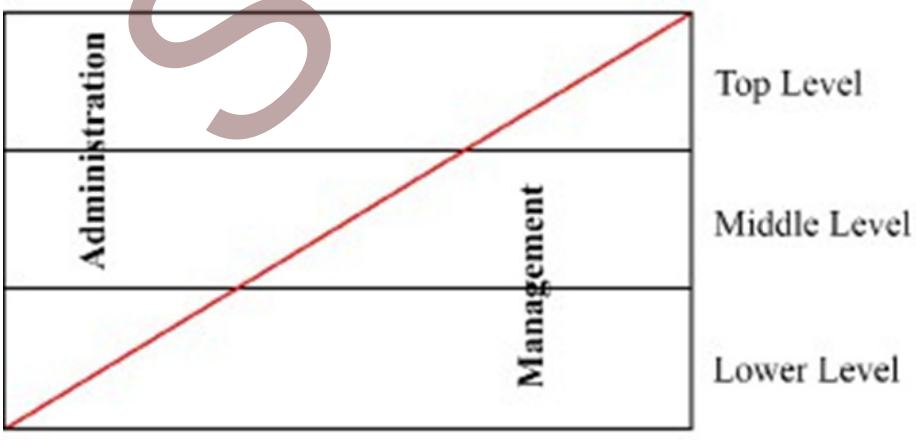


Figure 1.1.3 Management and Administration

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1.1.10.1 Difference between Management and Administration

Now, let us understand the differences between the two. Based on what we have discussed so far, we can distinguish between management and administration functions as depicted in the following table.

Basis	Administration	Management
Meaning	Determination of objectives and policies of an enterprise.	The art of getting things done through and with other persons in a formally organised group.
Aim	Determining objectives, plans, targets, policies, etc., of an enterprise.	Achieving predetermined objectives of an enterprise.
Nature	Decision making or thinking process.	Executive or doing a function.
Level	More applicable at top-level like CEO, Managing Director, Directors, Proprietor, etc.	More applicable at the middle level and supervisory, such as the Operations Manager, Finance Manager, Marketing Manager, HR Manager, etc.
Usage	Used with reference to non-business entities like military organisations, government, social and religious organisations.	Used with reference to a business enterprise.
Influence	Administrative decision is influenced by government policies, rules, and the political and economic environment.	Management decisions are mainly influenced by the targets of the enterprise, the opinions of managers, and the profit motive.
Relation	Mainly related to the owners and the top level of an enterprise.	Management is related mainly to workers and employees of an enterprise.
Scope	Has a wider scope than management.	Has a limited scope than Administration.

Table 1.1.1 Difference between Management and Administration

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Case Study: Management at Orion Electronics Pvt. Ltd.

Orion Electronics Pvt. Ltd., a fast-growing consumer electronics company, operates across India. With rapid expansion, the company recognised the need for a structured management approach to ensure smooth operations. Therefore, it implemented a clear division of responsibilities among three levels of management: top-level, middle-level, and lower-level.

At the top level, the Board of Directors and CEO set the company's vision, policies, and long-term strategies. They recently introduced a five-year corporate growth plan aimed at product innovation and entry into international markets. To motivate employees, they also implemented a performance-based incentive scheme and approved the establishment of new manufacturing facilities.

Middle-level managers, such as departmental heads, translate these strategic plans into operational actions. For example, the Production Manager introduced new quality control measures, while the HR Manager launched training programs to enhance workforce efficiency. These managers maintain discipline, coordinate departments, and ensure that objectives set by the top-level are achieved at the operational level.

At the lower level, supervisors and foremen handle daily operations in production units and service centres. They guide workers, provide instructions, and address problems like equipment breakdowns or delays. Feedback from this level is reported to middle managers, enabling timely corrective measures.

Through effective planning, organizing, staffing, directing, and controlling, Orion Electronics successfully maintains efficiency and achieves its growth targets.

Questions:

1. Which decisions in the Case reflect the role of top-level management?
2. How does middle-level management act as a link between top and lower-level management?
3. What are the key responsibilities of lower-level managers in this company?
4. Identify examples of the five functions of management from the case.
5. Why is it important to have clear distinctions between the different levels of management

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Summarised Overview

Management is the process of coordinating people and resources to achieve organizational goals effectively. It involves key functions such as planning, organizing, staffing, directing, and controlling activities across different levels - from top executives setting strategy to middle managers implementing plans and frontline supervisors overseeing daily operations. The discipline combines both art and science, requiring creative problem-solving alongside systematic approaches. Managers perform various roles, including leading teams, making decisions, allocating resources, and resolving issues. Effective management requires qualities like leadership, communication, decision-making, and adaptability. While often compared, management focuses on execution through people, whereas administration deals more with policy formulation. At its core, management aims to optimize resources, improve efficiency, and drive organizational success by aligning efforts with strategic objectives through continuous coordination and performance evaluation.

Self Assessment Questions

1. What are the five core functions of management, and how do they contribute to organizational success?
2. Compare and contrast the three levels of management (top, middle, lower) in terms of their primary responsibilities and focus areas.
3. Explain Henry Mintzberg's three categories of managerial roles with one example for each.
4. How does management differ from administration? Provide two key distinctions.
5. Why is management considered both an art and a science? Support your answer with relevant characteristics.

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Assignment

1. Select any organization you're familiar with (business, non-profit, or educational institution) and analyze how the five functions of management (planning, organizing, staffing, directing, and controlling) are applied in its operations. Provide specific examples for each function.
2. With reference to an organisation, identify real-world examples of decisions made at each management level (top, middle, lower). Explain how these decisions reflect the distinct responsibilities at each level and how they contribute to the company's overall objectives.
3. Choose a prominent business leader (current or historical) and evaluate their effectiveness based on Mintzberg's managerial roles. Provide evidence of how they demonstrated at least two roles from each category (interpersonal, informational, and decisional).
4. Compare and contrast the management approaches required in: a) a manufacturing plant, b) a software startup, and c) a government agency. Focus on how the balance between administration and management differs in these organizational types.
5. With reference to current trends (digital transformation, remote work, AI, etc.), discuss how you envision the role of managers evolving in the next decade. Address: a) Which traditional management functions may become more/less important, and b) What new skills managers will need to develop.

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Unit 2

Evolution of Management Thought

Learning Outcomes

After completing this unit, the learner will be able to:

◊ ◊ explain the historical development of management thought from classical to contemporary theories

◊ ◊ compare the key features of scientific management, bureaucratic theory, and administrative management

◊ ◊ analyse how human relations and behavioural approaches changed managerial perspectives

◊ ◊ evaluate the contributions of quantitative, systems, and contingency approaches to modern management

◊ apply appropriate management theories to solve organisational problems

Background

Background

Management thoughts emerged from situations which demanded thinking on how organisational efficiency could be enhanced using efficient deployment of human resources. How to effectively elicit the best in order to turn around organisations and make them vibrant, delivering models was a question that bothered thinkers who were managing organisations of different types. The thinking was on how to promote a philosophical approach to Management in transforming organisations.

The way we manage organisations today did not emerge overnight - it's the result of over a century of trial, error, and path-breaking ideas that transformed how we think about work and productivity. Imagine factories during the

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Industrial Revolution struggling to coordinate hundreds of workers, or mid-century corporations discovering that happy employees actually work better. These real-world challenges sparked revolutions in management thinking that still influence how modern companies operate.

From the strict efficiency rules of early factories to today's flexible, data-driven approaches, each management theory emerged as a solution to the problems of its time. What makes these ideas fascinating isn't just their historical significance, but how they continue to shape workplaces in the age of remote teams, artificial intelligence, and global competition. The most successful managers today don't just follow rules - they understand why these rules were created and how to adopt them in an organisational context.

This journey through Management's evolution reveals surprising insights about human nature at work. You'll discover how a simple lighting experiment changed everything we thought about employee motivation, why some military-style structures still survive in modern companies, and how the best contemporary managers blend old-school discipline with new-school flexibility. These aren't just academic concepts - they're powerful tools for anyone who wants to lead teams effectively in a fast-changing world.

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Keywords

Classical Theory, Scientific Management, Bureaucracy, Administrative Principles, Human Relations Approach, Behavioural Science, Systems Theory, Contingency Approach



Discussion

Management thoughts are theoretical frameworks for the study of management. Each of these thoughts is based on different assumptions about organisations and their people. It was in the late 19th century that the formal study of management began. Over time, management thinkers have organised and classified these management practices and termed them as management theories or approaches.

1.2.1 Evolution of Management Thought

Management thought has evolved over time in response to changes in industrial development, organisational complexity, and human understanding. Broadly, the evolution of management thought can be understood chronologically in three major eras: the Classical Era (1900–1930), the Neo-Classical Era (1930–1960), and the Contemporary Era (1960 onwards). The following figure presents this progression in a timeline format.

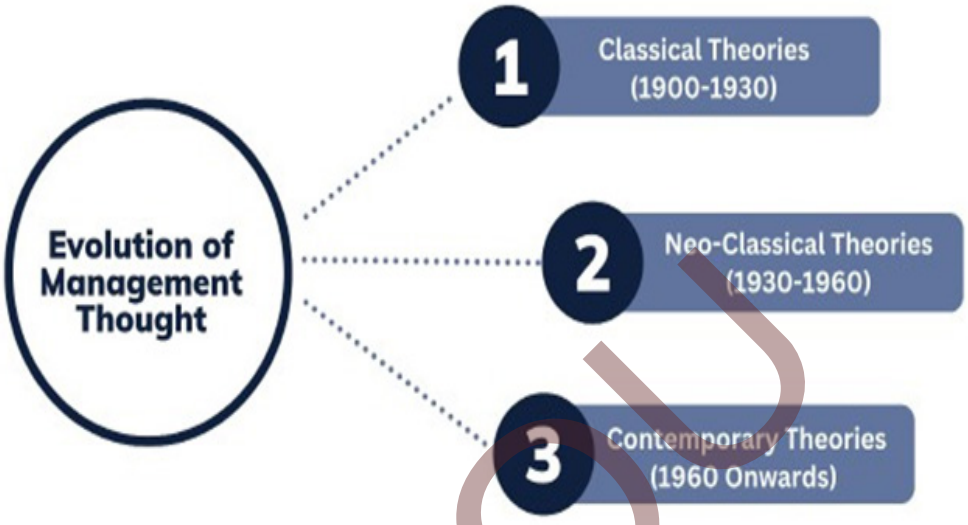


Figure 1.2.1 Evolution of Management Thought

It should be noted that the time periods indicated are approximate and represent the most widely accepted classification among scholars.

Now, let us begin with the first documented and most traditional theory of management, which is the classical theory of management

1.2.2.Classical Management Theory (1900 to 1930)

Classical theory, or the traditional theory of management, was introduced between 1900 and 1930. These management ideas took form during the Industrial Revolution. It arose from the need for a better way to organise and coordinate the huge production processes at the factories. It was during this time that scholars and practitioners from different streams were coming up with their methods to improve the management practices. This gave rise to the notion of achieving efficiency and effectiveness in managing people, especially the workforce at factories. This theory is based on the belief system that people have only physical and economic needs. Their social needs and job satisfaction are not important. It emphasises specialisation of employees, centralised decision-making, and profit maximisation.

The major contributions to the classical management theory were from F.W. Taylor's Scientific Management, Henry Fayol's General Administrative Theory, and Max Weber's Bureaucratic Model.

1.2.2.1. Scientific Management

The scientific management theory took root during the industrial revolution in the United States, where skilled labour was in short supply. Increasing the efficiency of workers was the only alternative available to increase production during that period. A Mechanical Engineer at Midvale and Bethlehem Steel Company in Pennsylvania, Mr Frederick Winslow Taylor (1856 – 1950) proposed a scientific method to address these issues. This method utilised investigation, analysis, and measurement. It served as a means of improving production.

As per F W Taylor, "Scientific Management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way." The basic premise of scientific management is to divide organisational activities into small tasks so that they can be done more efficiently in less time, resulting in higher productivity. That is, improving the efficiency of everyone in an organisation result in overall better output.

The scientific management is carried out in four steps:

- ◊ Step 1: Study the work scientifically.
- ◊ Step 2: Select Workers and train them.
- ◊ Step 3: Match jobs and workers properly.
- ◊ Step 4: Distribute the gains of the organisation among employees and employers.

As a summary, the theory of Scientific Management served to select the right workers as well as the right tools and equipment for each job. Monetary benefits are necessary for employee motivation, which in turn increases their productivity. As a result, the overall productivity of the organisation will increase.

Principles of Scientific Management

The following are the major principles;

a. ***Replacement of the old rule of thumb method:*** Scientific investigation should be done for making managerial decisions instead of considering intuitions and the rule of thumb.

b. ***Scientific Selection and Training of Workers:*** Selection and training of workers should be done scientifically.

c. ***Cooperation between workers and management:*** There should be good cooperation between the employees and the managers inside the organisation.

d. ***Mental Revolution:*** It implies changing the attitude of workers and managers. Mental revolution aims at improving the thinking of both parties to create a better working environment. Workers and their managers should change their attitude, and each one of them should realise the importance of the other. Both should work towards the accomplishment of the common goals of the organisation. The management should take care of the needs of the workers and share benefits

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with them. Similarly, workers should put in their best effort to increase their efficiency and productivity, along with utilising the resources optimally.

e. ***Maximum output/Productivity:*** Scientific Management focuses on finding the best and most efficient way of completing tasks; therefore, achieving maximum productivity. Techniques of Scientific Management

Taylor has developed several methods and techniques to improve the efficiency of an organisation through his experiments in the workplace. Some of the major techniques of scientific management are as follows:

I. ***Work Study:*** Work study implies an organised, objective, systematic, analytical, and critical assessment of the efficiency of various operations in an enterprise. It is a general term used to examine human work in all its forms that leads to a systematic assessment of all elements having influence on efficiency and economy of operations. The following are the major elements of work study;

a. ***Method study***- This is conducted to determine the best method of doing a particular job.

b. ***Motion Study-*** This involves observation of the movement of the body and limbs of an individual required to perform a job. The objective of motion study is to identify the minimum required movements of the employees to complete the job within the minimum time and efficiency.

c. ***Time study-*** This is used to determine the precise time required for each element of a man's work.

d. ***Fatigue study-*** This is to determine the duration and frequency of the break time or rest time in order to complete the task or the job efficiently.

II. ***Standardisation of Tools and Equipment:*** Taylor campaigned for the standardisation of tools and couplings, along with the costing system and other related items. Efforts should be made to provide a standardised working environment and production procedures to the workers. Standardisation would help to reduce spoilage and waste of materials, enhance job quality, lower manufacturing costs, and reduce worker fatigue.

III. ***Scientific Task Setting:*** It is critical to establish a standard task that an ordinary worker typically performs during the course of a working day. Taylor described it as "a good day's work". He underlined the need to establish a fair day's work schedule since it will prevent workers from performing work that is far beyond their capacity. Before the workers, the usual task will serve as a guideline. Workers will work below their capacity if no standard is set.

IV. ***Scientific Selection and Training:*** Management should devise a systematic selection procedure to ensure that the best men are chosen for the best roles. The first stage in scientific selection is to identify the works that demand the involvement of workers. The most suitable qualification, training, experience, and level of efficiency required to perform the work are then determined. Finally, the workers are chosen based on this pre-determined criterion in a fair manner.

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V. ***Functional Foremanship:*** Planning and execution are separate functions in Taylor's functional foremanship. He suggested a total of eight foremen to oversee the various stages of manufacturing. In the planning department, he offered four foremen: route clerk, instruction card clerk, time and cost clerk, and shop disciplinarian. Gang boss, speed boss, repair boss, and inspector are the four foremen advised for attaining the required performance from the workers.

VI. ***Differential Piece-Rate System:*** Taylor advocated two-piece rates, so that if a worker performs the work within or less than the standard time, he is paid a higher piece rate, and if he does not complete the work within the standard time, he is given a lower piece rate. The underlying principle of this system is to penalise a slow worker by paying him a low piece rate for low production and to reward an efficient worker by giving him a higher piece rate for higher production. Taylor was of the view that an inefficient worker should have no place in the organisation, and he should be compelled to leave the organisation by paying him a low piece rate for low production.

Benefits of Scientific Management:

Scientific Management gained wide acceptance around the world, as it was a proven approach based on Taylor's experiments at the Bethlehem Steel plant.

The application of Scientific management in the Ztech Inc production unit will have the following benefits.

a. ***Enhanced production:*** It enhances production as there is a constant need for steady improvements in operations. Further, as there is cooperation between managers and workers, it encourages teamwork and achievements.

b. ***Standardisation:*** Proper standards are set for each work, thus encouraging

c. managers to find the best way to carry out each task.

d. ***Incentivisation:*** It improved production as employees were motivated through economic incentives for their increased output.

e. ***Staffing:*** Employees were selected and allocated to specific jobs based on their skills and competencies.

Limitations of Scientific Management:

a. ***Capital Intensive:*** It requires heavy capital investment, as the approach involves establishing work-study and employee training, making it an expensive practice.

b. ***Depersonalised Work:*** Employees are treated as a mechanical entity of the organisation. Personal work relationships are discouraged. That is, employees' social needs and job satisfaction are not considered by management in the decision-making process.

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The scientific management is concerned with improving the operational efficiency at the factories only. That is, the emphasis is on increasing the efficiency of workers, thereby improving production. It may not be suitable for other types of work, including services, knowledge work, etc.

Scientific Management is considered the turning point in the field of management, with a properly written guideline for managers. F. W. Taylor is popularly known as the father of scientific management theory. Thus, scientific management is also referred to as Taylorism or the Taylor System.

Let us explore the contribution of Henri Fayol's General Administrative Theory to Classical Management Theory.

1.2.2.3. General Administrative Theory

Scientific Management Theory improved production significantly, but it was limited to the production side of an organisation. When the volume of production increased, the volume of all the related business activities and facilities also increased, such as the amount of capital investments, the capacity of production units, the volume of storage and distribution; thus, making factories into bigger organisations. These organisations were becoming difficult to manage using just the contemporary methods of management.

Henry Fayol (1841 – 1925), a French Mining Engineer and company executive, proposed a comprehensive method of administering an entire organisation. He also proposed universal principles for effective management. It was published by him in French as "Administration Industrielle et Générale", which was later published in English as "General and Industrial Management" in 1949. This theory later came to be known as the Administrative Theory of Management and laid the foundation for management studies.

Unlike Scientific Management, which only focused on the production aspect of an organisation, General Administrative Theory emphasises the whole organisation and its management. The general administrative theory focuses on principles that can be used by managers to coordinate the internal activities of organisations.

Now, you may ask what makes this theory so significant? Why is it regarded as the foundation of management studies?

Fayol's general administrative theory was concerned with the management of an entire organisation. In simple words, this approach was developed for administrators (top-level management). Thus, it came to be known as the administrative theory of management.

In this approach, the entire business or organisational activities are classified into technical, commercial, financial, security, accounting, and managerial activities. It further classified the managerial activities into planning, organising, commanding, coordinating, and controlling. These five activities were recognised as functions of management, which are considered the fundamentals for management in all organisations.

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Henry Fayol's Principles of Management

Fayol also proposed that management is a skill and could be taught like any other skill once its fundamental principles are understood. For this, he established principles of management, also known as the "14 Principles of Administrative Management". These principles of management are discussed below:

i. **Division of Labour**

Dividing the work inside an organisation is the key to achieving efficiency through specialisation and for better achievement of goals. Fayol suggested that all labour should be divided and subdivided, and different people should be assigned different tasks based on their expertise in different areas. For example, in a car factory, one worker focuses on assembling engines while another specialises in painting the body.

ii. **Authority - Responsibility**

Every manager should have the power and right to give orders and direction to subordinates. This is the authority he/she enjoys. Such authority comes with equal responsibility. It is essential to understand that when you exercise authority over some activity, you automatically have the responsibility for the same. The Sales Manager may be authorised to conduct a Customer Meet with financial support for the same. He has to use his authority judiciously. He may assign some of the tasks to his subordinates. However, responsibility for the conduct of the event will be on the Sales Manager.

iii. **Centralisation-Decentralisation**

Every organisation should maintain a balance between centralisation and decentralisation. Centralisation means concentration of authority at the top level, and decentralisation means delegating authority to lower levels. For example, while a company's CEO decides on overall strategy, branch managers are allowed to make day-to-day decisions.

iv. **Unity of Command**

As per Fayol's opinion, every employee should receive orders from a single head and should be accountable to that person to avoid confusion in the responsibilities and to run the organisation smoothly. If an employee in the accounts department receives instructions only from the Accounts Manager, confusion and overlapping tasks can be avoided.

v. **Unity of Direction**

According to this principle, the efforts of all the members of an organisation should be directed towards a single goal. There should be one plan for one head, or one group of activities should have one objective. This avoids duplication of work. For instance, all members of the marketing team should work under one marketing plan for launching a new product.

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vi. **Scalar Chain**

It refers to the chain of authority from the top level to the lower level. Scalar chain should be followed for all orders, instructions, messages, requests and all sorts of communications flow from top to bottom and vice versa. Skipping this chain for convenience and using a shorter communication path is called 'Gang Plank'.

vii. **Discipline**

According to Fayol, "Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise". Simply, there has to be respect for the rules and regulations among the members.

viii. **Subordination of individual interest to general interest**

The company should always make efforts to reconcile the individual interests of members with common interests. When a conflict occurs between these two, then the common interest should be considered. An employee might have an individual interest to earn more; this should be subordinated to the organisational interest, but the organisation can provide space for the same through incentive schemes.

ix. **Remuneration**

The company should be careful in offering fair and reasonable remuneration to the employees by considering their contribution towards the common objectives.

x. **Order**

In an organisation, there should be a proper order. Anything and everything in the organisation should be in its place. For example, maintaining proper files in the office or arranging raw materials in a warehouse ensures efficiency. There should be order and discipline in terms of timekeeping, layout structures, movement of goods and services and a proper structure for processes to function.

xi. **Equity**

Employees in an organisation should be treated with equity and kindness. Efforts should be made to ensure justice for members. For instance, giving equal opportunities for promotion to both male and female employees shows gender equity. Similar equity should be seen in terms of work patterns, incentives, promotional packages, etc.

xii. **Stability of tenure of personnel:**

No employee should be shifted from one job to another frequently; otherwise, employees will not get a chance to specialise. Employees should also have job security. For example, retaining experienced teachers in a school improves the quality of education.

xiii. **Initiative**

There should be ample opportunity to initiate activities, incorporate their ideas with creativity in the work they perform. For instance, a company encouraging employees

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to suggest improvements in the production process demonstrates initiative. Having Employee Suggestion schemes, Innovative Idea Promotion packages and employee suggestions on energy savings are employee-driven initiatives.

xiv. **Esprit de corps**

The term 'Esprit de corps' means 'Union is strength'. This refers to ensuring harmony among members of the organisation. For example, organising team-building activities helps employees develop unity and cooperation.

Benefits of General Administrative Theory

a. **Official Administrative Structure:** A formalised administrative structure is established with a clear hierarchy of authority from top to bottom. This structure also includes defined responsibilities and functions for everyone in the organisation.

b. **Division of Labour:** All departments are defined with proper division of labour. Tasks are allocated based on employee skills and qualifications to achieve optimum efficiency.

c. **Monetary Incentives:** Employees are motivated through monetary incentives for their effort. These incentives should be fair to both the employee and the employer. Such incentives are performance-based.

d. **Communication Channel:** This theory strives for the proper network of information flow within the company for the decision-making process. It emphasises establishing communication channels that enable the free flow of information in both directions among management and workers.

Limitations of General Administrative Theory

a. **Neglect of human factors:** This approach views human beings as competent only to react to organisational rules and economic incentives. Human attributes like emotion, attitude, creativity, etc., have not been considered.

b. **False Assumption:** This approach assumes it can be universally applied to any type of organisation. It does not recognise the differences in tasks and problems that are confronted by various organisations.

c. **Pro Management Bias:** This approach is more concerned with what management should know and do. It does not provide guidelines on how these principles must be applied.

This theory laid the foundation for management studies, and all subsequent management approaches are built upon the administrative management theory. Henri Fayol is widely considered the father of Modern Management. Thus, administrative management is also referred to as Fayolism.

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1.2.2.4 Bureaucratic Model

Max Weber (1864 -1920), a German sociologist, in his classical work, "The Theory of Social and Economic Organisation" (1920), proposed a management method which came to be known as the Bureaucratic Theory of Management or The Bureaucratic Model.

Bureaucracy is the structure and set of rules that control the activities of people who work for organisations. This system includes a standardised procedure for every activity, a formal division of responsibility, a proper hierarchy, and professional relationships.

Max Weber believed that recognition and exercise of authority in an organisation is the key requirement for better management. Here, exercise of authority implies a Bureaucracy or Bureaucratic System. It implies that an ideal organisation is a bureaucratic one with a well-defined division of labour and rationally thought activities and objectives.

Based on this, the Bureaucratic model proposes that establishing bureaucracy is the most efficient way to set up and manage an organisation. It is the key to achieving maximum productivity in a large organisation with many employees and tasks. It also advocates that administrators or managers should be selected solely based on their merit.

Let us examine the benefits and limitations of the Bureaucratic Model to better understand its utility.

Benefits of the Bureaucratic Model:

a. **Specialisation:** The work is divided among employees or teams as per their areas of expertise. Thus, employees can specialise in their respective fields and show improved performance.

b. **Structure:** A hierarchical organisational structure is established with clear lines of communication and division of labour. Thus, forming a clear chain of command with specific duties and responsibilities and reporting relationships within this hierarchy.

c. **Predictability:** The rules, regulations, specialisation, structure, and training provide predictability, which ensures stability in the organisation. The adherence to these rules and roles in the organisation brings order to cope with complexity.

d. **Democracy:** The Emphasis on skill and technical competence gives the organisation a democratic structure. Everyone in the organisation is guided by the rules, regulations, and practices rather than by patronage, favouritism and other arbitrary bases are not given weightage.

Limitations of the Bureaucratic Model:

a. Rigidity: The Rules and regulations are often rigid and inflexible. The strict compliance with these rules and regulations discourages initiative and creativity. In the name of following rules, people tend to avoid responsibilities.

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b. **Impersonality:** The organisational structure enforces a mechanical way of doing things. The rules and regulations are prioritised over an individual's needs and emotions.

c. **Compartmentalisation of Activities:** As Jobs are categorised, people are restricted to perform within the category. This may hinder one from showing one's full potential. Also, employees are forced to do redundant jobs.

d. **Paperwork:** Heavy documentation is exercised where everything is recorded, and nothing moves without proper paperwork. In simple words, every decision must be put into writing, and these documents have to be maintained for future reference.

e. **Empire Building:** In a bureaucratic setup, everyone uses their positions and resources to accumulate power and resources, as it is considered a symbol of power and prestige.

The bureaucratic model aided in the development of big corporations like Ford. It still retains its essence in modern civilisation. Even today, business institutions, schools, government, etc., are largely based on the concepts of bureaucracy.

The entire Classical Management Theory is based on the principle that employees have physical and economic needs only. It ignores their social needs, ego needs, and job satisfaction. Instead, it emphasises the specialisation of labour, profit maximisation, centralised leadership, and decision-making.

With this, we conclude the classical management theory. Let us move on to the next era in the evolution of management thought, termed Neoclassical Management Theory.

1.2.3. Neo-Classical Management Theory (1930 to 1960)

Neo-Classical Management Theory is an extension of classical management theory. As we learned, classical management theory is only concerned with the job and the machine, while ignoring human behaviour.

This theory is based on the notion that an organisation is a social system and its performance is highly influenced by human behaviour. Thus, greater emphasis should be given to the man (employees) behind the machine.

So, Neo-classical management theory tries to compensate for the deficiencies of classical management theory by adding the 'people' aspect to it.

The Neo-Classical Theory of Management is classified into the Human Relations Approach and the Behavioural Approach.

1.2.3.1. Human Relations Approach

The Human Relations Approach was founded by an Australian Psychologist and a Professor of Industrial Research at Harvard Business School named Elton Mayo (1880 – 1949). It was developed from the findings of a series of experiments conducted at

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the Western Electric Company in Hawthorne, near Chicago, from 1924 to 1933. These experiments are popularly referred to as Hawthorne Studies or Hawthorne Experiments; they explored the linkage between employee satisfaction and workplace productivity.

Major Phases of the Hawthorne Studies:

The Hawthorne Studies were conducted in several stages between 1924 and 1933. The major experiments are briefly explained below:

i. Illumination Experiment (1924–1927)

This experiment was conducted to examine the relationship between lighting conditions and worker productivity. Researchers varied the intensity of light in the workplace to observe its effect on output. Surprisingly, productivity increased regardless of whether illumination was improved or reduced. This led to the conclusion that factors other than physical conditions were influencing productivity.

ii. Relay Assembly Test Room Experiment (1927–1932)

In this phase, a small group of female workers assembling telephone relays was observed. Changes were introduced in working hours, rest pauses, wages, and supervision. Productivity increased even when conditions were reverted to original levels. Researchers concluded that attention, recognition, and group cohesion significantly influenced performance.

iii. Bank Wiring Observation Room Experiment (1931–1932)

This experiment studied a group of male workers engaged in wiring tasks. Unlike earlier findings, productivity did not increase. Workers deliberately restricted output to maintain group norms. This demonstrated the strong influence of informal groups and peer pressure within organisations.

iv. Interviewing Programme

Thousands of workers were interviewed to understand their attitudes toward work and management. The findings revealed that employees' feelings, grievances, and social relationships had a major impact on productivity and job satisfaction.

These studies brought to light the important relationships between social factors and productivity. It was found that employee participation leads to job satisfaction, not just economic incentives as assumed by Scientific management and Administrative Theory.

This approach emphasises that an employee is a social and psychological being, not just an economic being. Therefore, the satisfaction of economic needs is not the only motivation for employees. Thus, an organisation should be a humanistic or informal organisation rather than a mechanical workplace; it must represent a democratic work environment where everyone can coexist.

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Benefits of Human Relations Approach:

a. **Positive Work Environment**

It attempts to create an optimistic work environment where people can achieve both their personal and organisational goals simultaneously.

b. **Interpersonal Relationship**

It insists on managers attempting to build up interpersonal relationships among the people at work.

c. **Attitude**

It highlighted the importance of human attitude for high productivity in an era where economic satisfaction and work conditions were considered as the major motivators.

d. **Work Groups:**

It motivates managers to think in terms of group process and group rewards, which propagate to team building and teamwork in the future.

e. **Motivation:**

It motivated employee to achieve their peak performance.

Implementing policies of the Human Relations approach by Ztech Inc. is confronted with the following limitations.

Limitations of Human Relations Approach:

a. **Omitted Economic Aspects:**

The economic aspect of work satisfaction is ignored.

b. **Overstretching of Human Relations:**

It assumes all organisational problems can be solved through human relations.

c. **Limited Work Focus:**

It lacks adequate focus on work.

The Human Relations Approach is still considered an improvement over classical management theory as it treats people as living beings, not just as an interchangeable asset to an organisation. Also, it paved the way for the Human Resources Movement. This was a movement in management thinking and practice that emphasised the study of people's behaviour in groups, especially in workgroups and related concepts in fields of industrial and organisational psychology.

Elton Mayo is also referred to as the father of the Human Relations Movement.

With this, we conclude the Human Relations Approach of Neoclassical Management Theory.

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Let us begin with the second stream of neoclassical management theory, which is the Behavioural Science Approach.

1.2.3.2 Behavioural Sciences Approach

The Behavioural Sciences Approach is a natural progression of Human Relations theory. The Behavioural Sciences Approach is also known as the Human Resource Approach. It applies the ideas of behavioural sciences like anthropology, psychology, and sociology in managing people. Many Behavioural scientists believe that Human relations theory gives an oversimplified explanation that workplace socialisation leads to increased productivity. They advocated the requirement of a deeper understanding of human behaviour to form a better management approach. As such, many behavioural scientists put forward their theories with regard to the human aspects of management; thus, the behavioural sciences approach is the culmination of these theories.

The basic idea behind the Behavioural Science Approach is that people will be productive if given opportunities to use their skills and abilities.

Abraham Maslow, Douglas McGregor, Chris Argyris, and Rensis Likert are regarded as the most prominent contributors of the Behavioural Science Approach. They encouraged that the existing management practices should be restructured so that employees have an opportunity towards satisfy their higher-order needs. They all encouraged the same idea that management should humanise work to stimulate employee performance. In simple words, the people of an organisation are to be treated as its assets.

Benefits of the Behavioural Sciences Approach

- **Full potential** - It encourages managers to utilise every employee's full potential in the service of the organisation. This should come through encouraging thinking, promoting idea generation, inviting innovative thoughts on processes, and involving employees in creating a talent bank.
- **Enhanced Work Environment** - It compels managers to develop a healthy, safe, comfortable, and congenial work environment for their employees.
- **Employee Participation** - It encourages employees to participate and be involved in all important decision-making processes of management.

The following are the limitations of this approach.

Limitations of Behavioural Sciences Approach

- **Ignorance of Technical Aspects** – It does not take the mechanical aspects like technology, manufacturing, and tasks in an organisation into account.
- **Lack of Clarity** – Behavioural Scientists differ in their advice for dealing with a single problem due to the complexity of human behaviour. Hence, managers find it difficult to decide on which advice to follow. That is, the ideas and concepts of the behavioural science approach are not easily understood by everyone. This hinders its universal application.

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The Behavioural Sciences Approach has enhanced our knowledge of the motivations of an individual, the behaviour of a group, interpersonal relationships at work, and the importance of work to people. But it should be kept in mind that findings of behavioural sciences are tentative and not applicable to all situations due to the complexities of human nature.

The Behavioural Sciences Approach has led to the emergence of an entirely new discipline called Human Resource Management under management studies. This discipline considers people in an organisation as Human Resources and emphasises their effective utilisation towards achieving organisational efficiency.

Neo-classical management theory evolved from the idea that management means getting things done through employees. It is based on the notion that management should focus on employees who are at the centre of technology, production, and structures in organisations. Hence, the entire Neo-classical management theory is concerned with the best ways to motivate, allocate, and support people within the organisation. It is also referred to as Behavioural Management or Human Relations Movement.

Now that we understand Neo-classical management theory, let us move on to the next era in the evolution of management thought, termed as Modern/Contemporary management theory.

Case Study: Henry Ford's Production Revolution

In the early 1900s, Henry Ford faced a big challenge at his car company in Detroit. While his engineers could build good automobiles, each vehicle took too long to make and cost too much money. The factory was full of skilled workers who each built entire cars from start to finish, moving around the workshop to complete different tasks. This old-fashioned way of working meant it took twelve hours to make just one Model T car, and no two cars were exactly alike.

As more people wanted to buy cars, Ford realised his factory couldn't keep up. Workers wasted time walking between stations. Some tasks took longer than others, creating bottlenecks. The company struggled to train enough skilled workers to meet demand. Ford knew he needed to completely change how cars were made if he wanted to lower prices and serve ordinary families.

In 1913, Ford tried something completely new that would change manufacturing forever. Instead of having workers move around the factory, he brought the car to them. He created the first moving assembly line where each worker stayed in one place and performed just one specific task as the car frame moved past them on a conveyor belt. One worker might only attach doors all day, while another only installs windshields. Ford also made sure every part was identical so they would always fit together perfectly.

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The results were astonishing. The time to build a car dropped from twelve hours to just ninety-three minutes. As production became more efficient, Ford could dramatically lower prices. The Model T that once cost $850 eventually sold for just $260, putting car ownership within reach of millions of ordinary Americans. Within fifteen years, Ford was building half of all cars worldwide.

However, the new system created unexpected problems. Workers complained that doing the same small task all day was boring and tiring. Many employees quit because they missed the variety and craftsmanship of the old ways. Ford responded by doubling wages to $5 per day - an unheard-of amount at the time - which helped keep workers but showed that efficiency alone wasn't enough to run a successful business.

Questions:

1. What were the main problems in Ford's original factory that prevented him from making affordable cars?
2. How did the moving assembly line help solve these problems?
3. Why did workers become unhappy with the new system, and what does this tell us about managing people?

1.2.4. Contemporary Management Theory (1960 onwards)

Modern management theory takes its origin from the end of the Second World War. At this point, there was an expanding use of measures and statistics in every field. This led to a sudden influx of huge data requirements in business practices. Traditional approaches were becoming insufficient in extracting useful information. This propagated the use of mathematical and statistical tools to convert data into useful information.

The modern management thought process begins with the end of the Hawthorne Experiments. It is a consolidative system that integrates concepts from classical management theory, social and natural sciences (mathematics and statistics). Modern management theory draws inspiration from systems analysis.

Modern Management Theory can be classified into three streams. Let us begin with the first stream of thinking in modern management theory, that is, the quantitative approach.

1.2.4.1. Quantitative Approach

Quantitative generally means "measuring by its quantity". Quantitative techniques are referred to as statistical, mathematical, or numerical methods of data analysis. It was developed during the Second World War to deal with its massive logistical problems.

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The quantitative management perspective emerged from the contributions of many experts from different fields. But their work was based on the mathematical and statistical approaches devised by F.W. Taylor during the development of Scientific Management Theory.

The quantitative approach utilises mathematical, statistical, and informational aids to support the managerial decision-making process and thereby organisational effectiveness. It has mainly three branches, namely Management Science, Operations Management, and Management Information Systems.

Let us know them one by one to understand the scope of the quantitative management approach:

Management Sciences – This approach uses advanced mathematical and statistical tools to increase decision effectiveness. It aims to solve technical problems rather than human behavioural problems. With the introduction of computers, this approach has become more effective at solving bigger and complex problems that otherwise take too long. The Management Science approach is also known as the mathematical or quantitative measurement approach. It envisions management as a logical process, where the actions can be stated in terms of mathematical symbols, relationships, and measurement data.

Operations Management - This approach aims at managing the manufacturing and delivery of products and services of an organisation. It encompasses fields like production planning, design and location, inventory management, work scheduling and quality control.

Management Information Systems (MIS) – It is the field of management that emphasises the design and implementation of an information system using computers. Its purpose is to aid management with effective and real-time decision-making. This system turns raw data into information that is required at various levels of management in an organisation.

Now let us understand,

◊ Why did the quantitative approach gain so much prominence?

◊ Why has it become an integral part of business administration?

This is because when the quantitative approach is applied, every decision-making problem can be reduced to a mathematical equation by identifying the variables affecting the said problem. In simple words, a management issue is converted into a well-defined mathematical problem, and since a specific answer can be obtained for a well-defined mathematical problem, a pinpoint decision can be made for the said issue.

The benefits of applying the Quantitative Approach are as follows.

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Benefits of the Quantitative Approach

- ◊ **Simplified decision-making -** It simplifies decision-making through quantitative aids. It also develops quantitative tools to help in the development of products and services of an organisation.
- ◊ **Optimum Solutions -** Every problem concerning an organisation is converted into a mathematical equation, formula or model, which is then repeatedly analysed and processed to find the most viable solutions.
- ◊ **Organised Thinking -** It compels managers to be well organised and think holistically about every factor affecting a decision.
- ◊ **Rational Thought Process -** It eliminates subjective elements in decision-making, like hunches and intuitions. Only factual data and logical analysis are used to aid decision-making. Hence, it provides valuable quantitative techniques and tools for making rational decisions.

Limitations

The following are the limitations of the quantitative approach.

- ◊ **Lack of Inputs –** All the required inputs for decision-making may not be readily available. This can hinder timely action.
- ◊ **Data Dependence -** It is a data-dependent approach. That is, the quality of the decision depends on the data used. Thus, if the data is not accurate and up to date, it will not produce the desired results.

The quantitative approach is part of most big organisations, where decision-making is a data-driven process. Nowadays, it is widely used as it can summarise a problem by generating knowledge and understanding of the social world. Thus, providing a logical viewpoint to look at things.

Now, let us look to the next stream of modern management theory, the systems approach.

1.2.4.2. Systems Approach

The systems approach stemmed from the work of Ludwig Von Bertalanffy (1901-1972), an Austrian Biologist, who introduced principles of General Systems Theory (1950) based on his understanding of living things. Though many thinkers have contributed to the systems approach, it was first introduced by management pioneer Chester Bernard (1886-1961) in his book *"Functions of an Executive"* (1938).

A collection of elements or components that are organised for a common purpose is referred to as a system, whereas smaller systems within a larger system are referred to as subsystems.

Systems can be open or closed. A closed system can function without interacting with its environment. But since an organisation interacts with its environment and depends

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on it for survival, it is mostly viewed as an open system. This is well explained in the following figure. In simple words, like a human body, the organisation is a system made up of many interrelated and interdependent parts (subsystems), put together to achieve some specific objectives.

Organisation as an Open System

Nowadays, companies are much more complex. They are large and employ a lot of people and do business in both domestic and international markets. They operate in a complex, fast-changing business environment that can quickly turn opportunities into threats and strength into a weakness. Thus, management decisions in these organisations have a wider impact, especially on the internal and external groups of an organisation.

Let us consider an organisation like PepsiCo Inc. (system), which is made of interrelated parts (Subsystems) like marketing, production, Human resources, and Finance departments. So, decisions like closing down a factory, laying off workers, bonus declaration, promotions, etc., not only impact the production, human resources, marketing and finance departments but also affect the output of the entire PepsiCo.

In simple words, a manager needs to think of their organisation as a system and every decision taken may affect this system at multiple levels. Thus, a systems approach encourages managers to look for connections between different parts of the organisation and its environment.

The ideology of the systems approach is for managers to create synergy. Synergy occurs when two or more subsystems working together can produce more than they could working apart. It is creating exponential output. One plus one is greater than two.

In practice, managers need to evaluate patterns and events in their domain of the organisation to determine the best management approach. Further, they need to find connections in different parts of the organisation to form a collaboration and work as a collective whole rather than as isolated units.

In the systems approach, the success of an organisation depends on certain key elements like synergy, interdependence, and interrelations between various subsystems. The other crucial elements to have an impact on this success include departments, workgroups, and business units. The benefits of applying the systems approach in Ztech Inc. are as follows.

Benefits of the Systems Approach

- ◊ **Assessment Capability -** It builds a careful assessment capability in managers, where they evaluate the effects of their actions.
- ◊ **Reasonable Decision -** The decisions are formed considering every aspect of the organisation, instead of just technical, like in scientific management or activity side, like in administrative management or human side, like in human relations management. Every decision is forced to view the situation in total and arrive at the most reasonable decision.

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- ◊ **Maintains Balance -** It tries to maintain a good balance between the needs of various subsystems and organisational goals.
- ◊ **Faster Decision Making -** It takes a relatively shorter time to make decisions. The limitations of the Systems Approach adopted by Ztech Inc. are as follows.

Limitations of the Systems Approach:

- ◊ **Abstract and Vague -** The systems approach is very abstract and vague in terms of establishing an association between inputs, processes and output.
- ◊ **No Specialised Methods -** There are no tools and techniques specified in this approach to deal with problems.

The systems approach is highly relevant to management as it views organisations as open social systems that must interact with their environment. Based on this, society views organisations as part of it. This view aids organisations in adapting to the changes of the business environment and surviving.

Please note: Systems Approach or theory is also called a big picture approach.

Now, let us look at the last stream of modern management theory, the contingency approach.

1.2.4.3. Contingency Approach

Contingency theory was first proposed in 1970 by Jay William Lorsch, an American Organisational theorist, Professor of Human Relations at Harvard Business School and Paul Roger Lawrence (1922-2011), an American Sociologist, Professor of Organisational Behaviour at Harvard Business School, in their publication, "Differentiation and Integration in Complex Organisations"

The contingency approach implies a situational approach. It can be viewed as an extension of the systems approach. Consistently, research has shown that management methods used for a problem in one situation hardly work for the same problem in another situation. This implies that there is no universal management method to deal with every problem in every situation. Thus, an appropriate managerial action depends on the parameters of the situation.

The core concept of the contingency approach is based on the belief that there is no single way to solve a problem. That is, management action depends on the situation. This is because every organisation differs from the others. They all have different People, environments, tasks and locations, management methods, etc. Thus, the management approaches of each organisation depend upon the situation, nature of the job and people involved in it.

Practically, the management approach varies with the organisation and its environment. This approach attempts to analyse and understand the interrelationship between the organisation and its environment. Thus, taking the specific managerial action necessary to deal with the issue. The benefits of applying the Contingency Approach are as follows.

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Benefits of the Contingency Approach

- ◊ **Adaptive -** Any single management approach is not blindly followed to deal with a problem; rather, each situation is carefully analysed to find the best way to manage it. Thus, classical management theory and behavioural management theory can be applied as per the situation.
- ◊ **Dynamic Nature -** It necessitates management to be aware, active, innovative, creative and dynamic in handling any situation and find the most suitable action to deal with a situation.
- ◊ **Wider Applicability -** It has wider applicability in an organisation, as it can apply any approach based on the requirements of the situation. For example, it can apply the scientific management approach at the factory (where the focus is technical) and the human relations approach (where the focus is human elements) at the corporate office, or it can combine both and apply.

Limitations of the Contingency Approach

- ◊ **Complexity -** It is highly complex in application. Even a simple problem involves the analysis of many organisational parameters. Often, managers may find it to be a tedious and complex exercise.
- ◊ **Scarcity of literature -** It lacks literature for reference. It is not developed to an extent where it can provide meaningful solutions to various managerial problems in a specific way.

The contingency approach is highly valid for small-scale organisations where management takes into consideration both internal and external requirements before making decisions. But still, Many argue that contingency theory is still in its infancy (incomplete) and needs a lot of development before incorporation. Hence, the contingency approach holds a lot of importance for the development of future management

Case Study: How UPS Revolutionised Delivery with Modern Management

In the early 2000s, United Parcel Service (UPS) faced growing challenges in its global shipping operations. With millions of packages moving through its network daily, the company struggled with inefficient routes, rising fuel costs, and inconsistent delivery times. Traditional management methods were no longer sufficient to handle the scale and complexity of its operations. UPS needed a smarter way to manage its resources while maintaining reliable service for customers.

To address these challenges, UPS turned to modern management approaches. First, it embraced the quantitative approach by developing ORION (On-Road Integrated Optimisation and Navigation), an advanced algorithm that analysed traffic patterns, weather data, package volumes, and driver schedules. By transforming delivery logistics into mathematical models, UPS optimised routes

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to reduce unnecessary left turns, saving millions of gallons of fuel and cutting delivery miles significantly. This data-driven decision-making allowed the company to operate with unprecedented efficiency.

Next, UPS applied the systems approach, viewing its entire supply chain as an interconnected network. Rather than focusing solely on drivers or warehouses, the company examined how each component—sorting facilities, fleet management, and customer tracking—affected the whole system. For example, faster package sorting in warehouses required adjustments in delivery scheduling to prevent driver overload. This big-picture thinking ensured that improvements in one area didn't create problems elsewhere.

Finally, UPS demonstrated the contingency approach when the COVID-19 pandemic disrupted global logistics. Instead of rigidly sticking to pre-existing models, the company adapted swiftly. It redirected resources to prioritise medical shipments, adjusted routes for home deliveries (as office drop-offs declined), and partnered with small businesses to handle e-commerce surges. This flexibility allowed UPS to thrive while competitors struggled with supply chain disruptions.

The results were remarkable. Delivery accuracy improved by 30%, fuel costs dropped by hundreds of millions annually, and customer satisfaction reached record highs. UPS proved that blending quantitative analysis, systems thinking, and adaptive strategies could transform an industry.

Questions:

1. How did UPS's use of data and algorithms improve its delivery operations?
2. Why was it important for UPS to consider its entire supply chain as a connected system?
3. Can you think of another real-world situation where contingency management would be valuable?
4. Identify issues encountered by the firm.

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Summarised Overview

The foundations of modern management were laid during the Industrial Revolution through classical theories that prioritised structure and efficiency. Frederick Taylor's Scientific Management broke down tasks into precise movements to maximise productivity, while Max Weber's Bureaucratic Model established clear hierarchies and standardised procedures. Henri Fayol complemented these with his 14 Principles of Management, creating the first comprehensive framework for organisational administration. These approaches revolutionised factories but often treated workers as mere cogs in a machine.

By the 1930s, management thinking underwent a radical transformation with the emergence of neoclassical theories. The groundbreaking Hawthorne Studies revealed that social factors and workplace relationships significantly impacted productivity more than physical conditions alone. This Human Relations Movement gave birth to Behavioral Science approaches, including Abraham Maslow's Hierarchy of Needs, which explained worker motivation through psychological fulfilment, and Douglas McGregor's Theory X/Y that contrasted authoritarian versus participative management styles. These theories fundamentally changed how organisations viewed their employees - not just as productive units, but as complex individuals with emotional and social needs.

In recent decades, management theory has embraced even greater complexity through contemporary approaches. The Systems Perspective introduced the concept of organisations as interconnected organisms that interact with their environment, while Quantitative Methods brought data analytics and mathematical models to decision-making. Most significantly, the Contingency Approach recognised that there's no "one best way" to manage - effective leadership depends on adapting to specific situations, workforces, and market conditions. This evolution from rigid standardisation to flexible, context-sensitive strategies reflects management's ongoing journey to balance operational efficiency with human understanding in our rapidly changing world.

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Self Assessment Questions

1. What were the three main classical management theories, and how did each approach the concept of workplace efficiency differently?
2. How did the Hawthorne Studies fundamentally change managerial perspectives about employee productivity, and what new approach to management did this inspire?

3. Choose either Maslow's Hierarchy of Needs or McGregor's Theory X/Y. Describe its key principles and explain how a manager could apply this theory in a modern workplace setting.

4. What are the key differences between the Systems Approach and Contingency Approach in contemporary management theory? Provide an example of when each would be most useful.

5. Imagine you're managing a team resistant to new technology implementation. Which management theory would you draw upon to address this challenge, and what specific strategies would you use? Justify your choice.



Assignments

1. Compare Taylor's Scientific Management, Weber's Bureaucratic Model, and Fayol's Administrative Theory. Analyze their core principles, views on employee motivation, and organizational structures, providing examples of their modern applications.

2. Select a current business case demonstrating Human Relations or Behavioural Science approaches. Explain how it reflects neoclassical theories and evaluate its effectiveness in the given context.

3. Choose two different organizations. Show how the Systems Approach explains one's operations and how the Contingency Approach would guide the other's management decisions, justifying each choice.

4. Identify a contemporary management challenge. Develop a solution combining elements from classical, neoclassical and contemporary theories, with implementation steps.

5. Critically assess whether management evolution represents workplace humanization. Analyze theoretical transitions and changing motivation concepts, using examples to support your argument.

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2
BLOCK

FUNCTIONS OF MANAGEMENT

Unit 1

Planning and Organising

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ explain the meaning, importance, and process of planning in organisational settings
- ◊ identify and describe the different types of plans used in management
- ◊ describe the principles and essentials of effective planning
- ◊ distinguish between formal and informal organisation structures
- ◊ analyse the steps and principles involved in the organising function

Background

After learning the core principles of management, we now explore the two key functions that bring those ideas to life: planning and organising. These are not just textbook concepts—they are the practical tools managers use every day to turn goals into reality.

Planning acts like a roadmap, helping organisations decide where they want to go and how to get there. It involves setting clear objectives, anticipating challenges, and choosing the best strategies for success. Without planning, even the best teams can lose direction.

Organising, on the other hand, focuses on arranging people, tasks, and resources efficiently. It creates structure, defines roles, and ensures everyone works together smoothly. Think of it as building the foundation that supports all other management functions.

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Together, planning and organising help businesses—from small startups to large corporations—stay focused, adapt to changes, and achieve their goals. In this unit, we'll break down how these functions work, why they matter, and how to apply them in real-world situations.

Keywords

Planning, Organising, Strategic Plan, Operational Plan, Organisational Structure, Delegation, Decision Making, Goal Setting, Policy Formulation, Resource Allocation

Discussion

2.1.1 Planning - Meaning and Definition

Planning is deciding in advance what to do, when to do, how to do and who is to do a particular course of action. It is the basic and foremost function in the management process. Planning is basically looking ahead. It involves the selection of the best course of action from among the available set of alternatives.

To have a clear-cut idea about the term planning, let us examine some standard definitions.

Henry Fayol: "Planning is deciding the best alternative among others to perform different managerial operations in order to achieve the pre-determined goals."

Koontz and O' Donnell: "Planning is an intellectual process, the conscious determination of a course of action, the basing of decisions on purposes, facts and considered estimates."

Billy E Goetz: "Planning is fundamentally choosing, and a planning problem arises only when an alternative course of action is discovered."

George R. Terry: "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualising and formulation of proposed activities believed necessary to achieve desired results."

Louis A. Allen: "Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets."

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From the analysis of the above definitions, it is clear that planning is the primary function of management, and basically it is an intellectual process to foresee the events which are supposed to happen in future and suggest clear and effective ways for accomplishing the goal or objectives at hand. Planning actually bridges the gap between where we are and where we want to go.

2.1.1.1 Objectives of Planning

Management and administration in today's world must lay a strong foundation for any business or industrial unit to succeed, and this can only be accomplished through planning. In any organisation, planning entails deciding the objectives, drafting plans and programmes, and defining policies for optimum utilisation of the available resources to attain the predefined objectives. Consequently, a plan helps managers and administrators of any business or industrial unit to achieve their goals as per the needs of the desired objectives. The following are some of the objectives of planning.

◊ **Forecasting**

The first and most important ingredient in planning is forecasting. It involves predicting future events and outcomes based on historical data, trends, and relevant information, which helps managers to anticipate potential opportunities and challenges, enabling them to make informed decisions and develop effective strategies.

◊ **Setting goals**

The primary aim of planning in management is to define precise and well-defined goals and objectives for the organisation. These goals act as a roadmap, offering direction to the entire organisation and aligning employees' efforts towards a shared purpose.

◊ **Decision making**

Planning helps in making informed decisions by considering various alternatives and evaluating their potential outcomes. It allows managers to analyse different courses of action, anticipate potential problems, and select the most effective approach to achieve the objectives.

◊ **Forecasting of risk**

The purpose of planning is to forecast and overcome future threats; therefore, technical strategies are often mapped out and chosen in advance to manage the inconsistency and solve problems. By anticipating these risks, managers can develop contingency plans to mitigate their impact and maintain business continuity.

◊ **Helps in coordination**

A planning process is the leading initiator of coordination within an organisation. Planning aims to facilitate coordination and collaboration among different departments and teams within the organisation. It ensures that everyone is working in sync towards common objectives.

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◊ **Resource allocation**

Planning involves determining the necessary resources (such as finances, personnel, technology, and materials) required to accomplish the goals. It helps in allocating resources efficiently to different activities and projects to avoid waste and ensure optimal utilisation.

◊ **Delivering information useful for organisational success**

The planning process provides adequate information to employees in the organisation, as well as portraying to the outside world a positive picture of the organisation, its policies, performance, and results. Stakeholders gain confidence and trust as the organisation portrays a positive image of its policies, performance, and results, building strong relationships with customers, investors, and partners. Moreover, adequate information sharing allows for risk mitigation, compliance with regulations, and continuous improvement, ensuring the organisation remains adaptable and responsive to changing circumstances and challenges.

◊ **Economy in management**

When employees and management work together more effectively, the predetermined goals are met, waste is reduced to a minimum, thereby achieving efficiency in the overall economy of management.

◊ **Performance measurement**

Planning provides a basis for evaluating performance and progress towards the set objectives. By comparing actual results with the planned targets, managers can identify deviations and take corrective actions as needed.

◊ **Supports in maintaining healthy competition**

Those in an organisation are in constant competition with their fellow employees of any specific department, because the basis for future incentive or promotion is the actual job performance and achievement of those employees. In doing this, colleagues may be forced to be jealous or use unfair job-hindering techniques, which ultimately hamper the overall goals of any business or industrial unit. This requires an ethical attitude and unbiased planning for the growth of the business or unit in reality.

2.1.1.2 Planning Process or Steps in Planning

1. **Establishing objectives:** This is the initial step in the planning process. Objectives are specific and measurable goals that an organisation aims to achieve within a given time frame. These objectives should align with the organisation's mission, vision, and overall strategic direction.

2. **Developing Planning Premises:** Planning premises are assumptions about future conditions or events that will affect the organisation's plans. It involves forecasting and considering various factors such as economic conditions, market trends, technological advancements, legal and political developments, and any other relevant environmental factors. These premises provide a foundation

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for decision-making during the planning process. Planning premises may be classified as follows:

◊ External and internal premises.

◊ Tangible and intangible premises.

◊ Controllable and uncontrollable premises.

3. **Determining alternative courses of action:** One of the major steps in the planning process is the determination of alternative courses of action. Here, we choose those courses of action which are urgently needed and vital for the running of the business. These alternatives can be based on different approaches, resources, and scenarios to address the organisation's goals.

4. **Evaluating alternative courses of action:** The alternatives so found earlier are subjected to screening in this step. Evaluation is based on the relative merits and demerits, economic gain and other vital contributions that can be generated from the alternatives in future.

5. **Selecting an alternative course of action:** This is the cardinal step in the planning process. It is actually the point of decision. If we have more than one course of action, a particular alternative will be decided on the basis of the relative merits and significance of the same in future.

6. **Implement the Plan:** After having selected the best course of action, the selected plan has to be implemented. The next step in the planning process is the implementation programme. Here, the black and white idea is visualised into action. For this purpose, various steps are formulated; the breakdown of those steps into various sequences and the manager will prepare the final plan for action.

7. **Follow up:** During the implementation phase, it is crucial to continuously monitor the progress of the plan. Regularly track the actual results against the planned objectives and milestones. This enables the organisation to identify any deviations, challenges, or opportunities that may arise during the execution of the plan. As part of the follow-up and monitoring process, if deviations or issues are identified, it is essential to take corrective actions promptly. This may involve making adjustments to the plan, reallocating resources, or revising the strategies to ensure that the organisation stays on track to achieve its objectives.

2.1.1.3 Importance of Planning

Planning plays a crucial role in the success and effective functioning of organisations across various sectors. The significance of planning is as follows:

◊ **Sets clear objectives:** Planning provides a clear direction and purpose to the organisation by setting specific objectives and goals. It ensures that all efforts and resources are aligned towards achieving these objectives, preventing any wastage of time or resources on unrelated activities.

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- ◊ **Minimise uncertainty and risks:** Planning helps to identify potential dangers and overcome their adverse effects to a great extent. Thus, by predicting future conditions, risk due to uncertainty can be reduced.
- ◊ **Planning helps to convert challenges into opportunities:** The success of the plan mostly depends on predicting and overcoming the uncertainties in future events. Provides a systematic and scientific approach to management.
- ◊ **Planning helps to achieve the predetermined objective:** While considering the alternatives, the best alternative will be identified by the management, and they will take the appropriate decision to achieve the goals.
- ◊ **Proper planning helps to reduce the cost:** Planning helps to reduce wastage in the use of resources and increase the revenue of the organisation.
- ◊ **Facilitates control:** Plans serve as standards for the evaluation of performance. The organisation can always compare the actual performance with the planned one. If they detect any deviation, they can easily take precautions to control it
- ◊ **Helps in coordination:** Planning helps to direct all the activities towards the common goal of the organisation. It gives unity of direction to the employees. Better coordination helps to achieve the common goal.

2.1.1.4 Advantages of Planning

The following are the advantages of planning:

- ◊ The business objectives can be easily accomplished through plans because planning is and requires an orderly action.
- ◊ It facilitates the process of decision-making.
- ◊ It helps the organisation to implement the future programmes in a systematic manner
- ◊ Planning helps the manager to cop with the fast-changing technological changes, automation and cybernetics schemes.
- ◊ The planning process is a catalyst for achieving the economies of large-scale production.
- ◊ Supports controlling through actions.

2.1.1.5 Limitations of Planning

Even though the planning process resulted in manifold advantages, it is not free from criticisms or disadvantages. The planning process is subject to certain limitations. They are:

- ◊ Planning is a time-consuming activity.
- ◊ The quality of planning depends upon the accuracy of information; when the

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latter is missing, planning is affected.

- ◊ The planning mechanism may be highly rigid and biased.
- ◊ Planning has only a limited scope in industries under rapidly changing situations, such as businesses dealing with clothing and apparel.
- ◊ Planning is an expensive affair as it involves forecasting, collection of information, and evaluation of alternatives, which require the services of experts.

2.1.1.6 Types of Plans

Planning is a pervasive managerial function; however, the nature, scope, and complexity of planning vary across organisations depending on their size, objectives, and environment. No single type of plan suits all organisational situations. Therefore, plans can be classified on different bases, such as time frame, usage, and managerial level. Understanding these classifications helps managers select appropriate planning approaches for different situations.

The major classifications of plans are explained below:

A. Plans Based on Time Frame

One common way of classifying plans is according to the period for which they are formulated. Time-based classification helps managers align organisational activities with short-term needs as well as long-term vision.

i. Short-Term Plans

Short-term plans are prepared for a relatively brief period, usually up to one year. These plans focus on immediate operational goals and day-to-day activities. They provide specific direction for current performance and are often more detailed in nature. For example, monthly production schedules, quarterly sales targets, or annual budgeting plans fall under this category. Short-term plans ensure that daily activities remain aligned with broader organisational objectives.

ii. Medium-Term Plans

Medium-term plans generally cover a period ranging from one to three years. These plans act as a bridge between short-term operational plans and long-term strategic plans. They focus on improving efficiency, expanding operations, or implementing departmental initiatives. For instance, introducing a new product line over two years or upgrading technology within a three-year period can be considered medium-term planning.

iii. Long-Term Plans

Long-term plans extend beyond three years and focus on the future direction and

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overall growth of the organisation. These plans involve major strategic decisions such as expansion into new markets, diversification, mergers, infrastructure development, or large capital investments. Long-term plans provide a roadmap for sustainable development and guide the organisation toward its vision and mission.

B. Plans Based on Use

Plans may also be classified based on whether they are intended for repeated use or designed for a specific, one-time purpose.

i. Standing Plans

Standing plans are developed to handle recurring situations or routine activities within the organisation. They provide a consistent framework for decision-making and action whenever similar situations arise. These plans remain in force until they are modified or replaced.

Standing plans include:

- **Mission:** The fundamental purpose or reason for the organisation's existence. It defines what the organisation intends to achieve in the long run.
- **Objectives:** Specific and measurable goals that guide organisational activities toward the mission.
- **Policies:** Broad guidelines that assist managers in decision-making.
- **Procedures:** Detailed step-by-step methods for performing specific tasks.
- **Rules:** Explicit instructions that specify what must or must not be done in particular situations.

Standing plans promote uniformity, stability, and consistency in organisational operations.

Difference between policy and procedure

In organisational planning, policies and procedures are closely related but conceptually different. A policy provides a broad framework for decision-making, whereas a procedure specifies the exact steps to be followed in carrying out a task. Policies guide thinking; procedures guide action.

To understand this distinction clearly, the following comparison is presented.

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Table 2.1.1 Policy Vs. Procedure

Policies	Procedures
General guidelines that guide decision-making and thinking.	Specific step-by-step instructions for performing a task.
Formulated mainly by top-level management.	Developed by middle or lower-level management within the framework of policies.
Provide a broad framework within which decisions are made.	Indicate the exact sequence of actions to be followed.
Concerned with "what" and "why".	Concerned with "how", "when", and "by whom".
Flexible in application and allow managerial discretion.	More rigid and must be followed uniformly.

To understand the distinction better, consider a company's **Leave Management System**:

Policy:

"Employees are entitled to 12 days of casual leave per year, subject to prior approval."

This statement provides a general rule and framework. It does not explain how to apply for leave or how approval is granted.

Procedure:

1. The employee must apply through the HR portal at least three days in advance.
2. The reporting manager must approve the request within 48 hours.
3. HR will update the leave balance in the system.

These are step-by-step instructions explaining how the leave policy is implemented.

Thus, the policy defines the principle, while the procedure explains the process.

In simple terms:

◊ A **policy** answers the question: *"What is the organisation's position on this matter?"*

◊ A **procedure** answers the question: *"How should this task be performed?"*

Both are essential for organisational efficiency. Policies ensure consistency in decision-making, while procedures ensure uniformity and standardisation in execution.

ii. Single-Use Plans

Single-use plans are formulated to address specific, non-recurring situations or objectives. Once the objective is achieved, these plans are no longer applicable.

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Single-use plans include:

Programmes: Comprehensive plans outlining activities required to accomplish a specific objective.

Projects: Smaller, time-bound components of a programme with clearly defined tasks and deadlines.

Budgets: Quantitative statements that estimate income and expenditure for a specific period or project.

Single-use plans are especially useful when organisations undertake new initiatives or temporary assignments.

C. Plans Based on Level of Management

Plans may also differ according to the managerial level responsible for preparing and implementing them. This classification ensures coordination between different layers of management.

i. Strategic Plans

Strategic plans are formulated by top-level management. They define the organisation's long-term direction, vision, mission, and major objectives. These plans address questions such as where the organisation wants to be in the future and how it will compete in the market. Strategic plans are broad in scope and influence the entire organisation.

ii. Tactical Plans

Tactical plans are prepared by middle-level management to support the implementation of strategic plans. These plans focus on departmental goals and outline specific actions required to achieve broader strategies. Tactical planning translates strategic objectives into workable plans at the functional level.

iii. Operational Plans

Operational plans are prepared by lower-level management and deal with routine, day-to-day activities. These plans provide detailed instructions regarding tasks, schedules, and procedures. Operational planning ensures the efficient execution of tactical and strategic plans.

Thus, plans differ in terms of time horizon, purpose, and managerial responsibility. Effective planning requires proper coordination among all types of plans so that short-term actions support long-term objectives, and operational decisions align with organisational strategy.

D. Other Planning Instruments

In addition to the above classifications, certain planning instruments support effective implementation of plans. While some of these instruments form part of standing or single-use plans, they are explained separately here for conceptual clarity.

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1. Strategies

According to Koontz and O'Donnell, "Strategies are a general programme of action towards the attainment of comprehensive objectives". These are basically interpretative planning or a plan made to suit a special situation. These are actually the corrective weapons in the hands of managing people for meeting the crisis in a given/ recurring situation.

In business, it had been borrowed from military terminology. It means the art of moving or dispensing the instruments of warfare (troops, ships, aircraft, missiles, etc.) as to impose upon the enemy the place, time, and conditions for fighting by oneself.

2. Methods

These are the prescribed modes of performing a specific step in the process of work. A method can be developed through custom and practice or through careful planning. Anyway, the developed method shall be economical and realistic. The methods seek to increase the efficiency of operations. Methods are based on research and are regarded as logical or rational. For example, for the valuation of stock, there are several methods, such as FIFO and LIFO. NIFO, HIFO.

3. Rules

There are specific instructions regarding what may or may not be done. Rules spell out specific actions, allowing no discretion. Rules are the decisions taken by the management regarding what is to be done and what is not to be done in a given situation. For example, "No smoking in the workplace" is a rule.

4. Contingency Plan

It is designed for use when an organisation is faced with uncertain events. The main aim of a contingency plan is to maintain business continuity under unforeseen events. It helps the business to react faster to the contingent events and resume normal operations at the earliest possible time. A good contingency plan minimises loss and damage caused by an unforeseen negative event. Companies develop contingency plans to prepare for different risks such as natural calamities, unexpected interruptions, loss of data, cyber-attacks, and sudden changes in consumer needs.

To create a good contingency plan, start by identifying possible problems that could affect your organisation, evaluating how serious each problem could be and prioritising them. Then they can develop specific steps to handle each problem and assign tasks to the right people. Then set up communication methods to keep everyone informed during and after an issue arises and make detailed plans for how to respond quickly and recover afterwards. Regularly test the plan to ensure it works, and update it as needed. Finally, ensure that the plan is thoroughly documented and that all relevant personnel are adequately trained in its implementation.

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2.1.1.7 Essentials of a Good Plan

A good plan typically means an effective plan that covers every organisational activity and reaches every goal. In simple words, a good plan is capable of realising the predetermined objectives of an organisation within the given time and resources.

- ◊ **Simple** – A good plan has to be simple so that it is easily understandable, paving the way for easy implementation by employees at various levels. A plan should be designed in such a manner that technicalities can be dealt with by any management levels and departments, to avoid unanticipated consequences and complications in the future.

- ◊ **Objective** - A good plan is developed to attain the predetermined objectives of any organisation. A plan is like a roadmap to reach the objectives, so if the objectives are not clear and certain, then the plan is useless. Hence, a plan must be designed with clear objectives in mind.

- ◊ **Futuristic** - Plans are always developed for accomplishing certain tasks in the future. Thus, a good plan needs to be a future-oriented action. It must be envisioned with the future needs and goals of an organisation in a predictable future business environment.

- ◊ **Time-bound** – A good plan should allocate a specific time for each activity. A plan should include a predetermined time for the execution of each activity at various levels of an organisation. This schedule should be in sequence and include the average time taken to complete every activity.

- ◊ **Flexible** - A good plan needs to be flexible so that it can accommodate upcoming opportunities and modifications which may arise due to the changing circumstances in the future. In simple terms, a good plan should be envisioned with the future requirements and circumstances of an organisation. A rigid plan is most likely to fail in an ever-changing business environment.

- ◊ **Efficient** - Efficiency translates to economical or low cost or within a budget. That is, a good plan should aid an organisation to achieve its goals at the minimum possible cost. In simple words, a good plan aims towards the efficient utilisation of resources.

- ◊ **Operational** - A good plan should not be limited to a letter alone, but it should work in the intended situation. In other words, a plan is to be designed in such a way that it is practical and operational in the real world.

- ◊ **Stable** - A good plan should be stable, that is, minor changes arising from future opportunities or circumstances must not affect the core plan. To establish a steadfast plan, it needs to be designed, based on past facts and results, with consideration of organisational objectives and predictable future business environments.

- ◊ **Comprehensive** - A good plan needs to be comprehensive; that is, a plan should include every aspect of an organisation and its business environment. It must

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contemplate and integrate several aspects of an organisation, like long-term objectives, short-term goals, departmental goals, policies and procedures, time limit, business environment, routine activities, powers and authorities delegated to the employees, responsibilities of the staff, etc.

◊ **Participative** - A good plan should inculcate participation from everyone, as an organisation can be effective only when all its elements are working together in harmony. Similarly, a good plan should include participation from the entire management and subordinates at every level of an organisation. That is, it should consider each department of an organisation and aid in all its development.

◊ **Reliable** - A good plan needs to be reliable. Every organisational activity needs to be based on reliable information and facts to be more effective. As plans include control standards for each activity, they have to be based on reliable data, facts, and information from trustworthy sources. A plan developed with precise information and facts is found to be more successful.

2.1.1.8 Forecasting

Forecasting is a systematic management tool used to predict future events, trends, or business conditions by analysing historical data, statistical models, and expert judgment. It serves as a foundation for planning, risk management, and strategic decision-making in organisations.

"Forecasting involves projecting future outcomes based on past and present data, assuming identifiable patterns or relationships will continue." (Koontz & Weihrich, 2010)

2.1.1.9 Techniques of Forecasting

Forecasting techniques are broadly classified into two categories: qualitative and quantitative methods. Each approach has distinct characteristics and is used depending on the availability of data, the nature of the forecast, and the decision-making context.

A. Qualitative Techniques (Subjective, Judgment-Based)

Qualitative forecasting methods rely on expert opinions, intuition, and subjective judgments rather than numerical data. These techniques are particularly useful when historical data is scarce, when forecasting long-term trends, or when dealing with new and unprecedented situations.

1. Delphi Method

It is a structured and iterative approach designed to gather and refine expert opinions while minimizing biases. In this technique, a panel of experts provides anonymous forecasts, which are then aggregated and shared with the group. Participants revise their predictions based on group feedback in multiple rounds until a consensus is reached. This method is especially effective for long-term technological forecasting, policy planning, and complex business scenarios where precise data is unavailable.

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2. Jury of Executive Opinion

This technique involves senior managers or industry experts collectively discussing and predicting future business conditions based on their experience and market knowledge. Unlike the Delphi Method, discussions are open, allowing executives to debate and align on a unified forecast. It is commonly used for strategic decisions such as market expansion, product launches, or demand estimation for new products.

3. Market Research and Surveys

Market research involves collecting data directly from customers, suppliers, or industry experts through surveys, focus groups, or interviews. This method helps businesses understand consumer preferences, emerging trends, and potential demand for new products. For example, a company launching a new smartphone might conduct surveys to assess customer expectations before finalizing product features.

4. Sales Force Composite

In this approach, sales representatives provide forecasts based on their interactions with customers and knowledge of regional market conditions. Since sales teams are closest to customers, their insights can be valuable for short-term demand forecasting. However, this method may be biased if sales personnel overestimate or underestimate projections to meet performance targets.

B. Quantitative Techniques (Data-Driven, Mathematical)

Quantitative forecasting relies on historical data and statistical models to predict future outcomes. These methods are objective, repeatable, and suitable for situations where past patterns are expected to continue.

1. Time-Series Analysis

It is a powerful quantitative method that examines historical data to uncover meaningful patterns, including long-term trends, seasonal variations, and cyclical fluctuations. This approach helps businesses make informed predictions by identifying consistent patterns in past data. Among its most widely used techniques are **moving averages**, which help smooth out random short-term variations to reveal underlying trends; **exponential smoothing**, which strategically weights recent observations more heavily than older data points; and **decomposition**, which systematically breaks down complex data into its core components (trend, seasonality, and random noise). These methods are particularly valuable in practical business applications such as inventory control, sales projections, and financial budgeting, where understanding historical patterns is crucial for accurate forecasting.

2. Causal (Econometric) Models

Causal forecasting takes a different approach by investigating the cause-and-effect relationships between different variables. This method goes beyond simple pattern recognition to understand how changes in one factor influence another. A classic example would be analyzing how fluctuations in GDP growth, shifts in consumer

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spending habits, or adjustments in advertising budgets directly affect a company's sales performance. The two primary tools in this category are **regression analysis**, a sophisticated statistical technique that quantifies relationships between dependent and independent variables (such as measuring how marketing expenditures impact revenue), and leading **indicators analysis**, which uses external economic factors like unemployment rates or interest rate changes to predict future business conditions. These models are especially useful when businesses need to understand not just what might happen, but why it might happen.

3. Econometric Models

These models combine economic theory with statistical techniques to forecast macroeconomic variables such as inflation, employment rates, or industry growth. They are often used by governments and financial institutions for policy planning and economic analysis.

4. Scenario Planning

Unlike traditional forecasting, scenario planning develops multiple future scenarios based on different assumptions (e.g., best-case, worst-case, and most-likely outcomes). Businesses use this method to prepare for uncertainties such as economic downturns, technological disruptions, or regulatory changes. For instance, an oil company might create different scenarios based on fluctuating crude prices to strategize investments.

Qualitative methods are ideal for long-term, uncertain, or innovative forecasts where expert judgment is crucial. In contrast, quantitative techniques provide precise, data-backed predictions for stable and repetitive business environments. Many organisations use a hybrid approach—combining both methods—to enhance forecast accuracy and adaptability.

2.1.1.10 Decision Making

Decision-making is a fundamental management process that involves identifying problems or opportunities, evaluating alternatives, and selecting the best course of action to achieve organisational goals. It is a systematic approach that combines rational analysis, judgment, and experience to make informed choices in various business situations.

"Decision making is the process of selecting a particular course of action from among possible alternatives to solve problems or capitalize on opportunities." (Robbins & Coulter, 2018)

Decision-making serves as the core of managerial activities, enabling organisations to allocate resources effectively, respond to challenges, and pursue strategic objectives. It ranges from routine operational choices to complex strategic determinations, all aimed at enhancing organizational performance and adaptability in dynamic environments.

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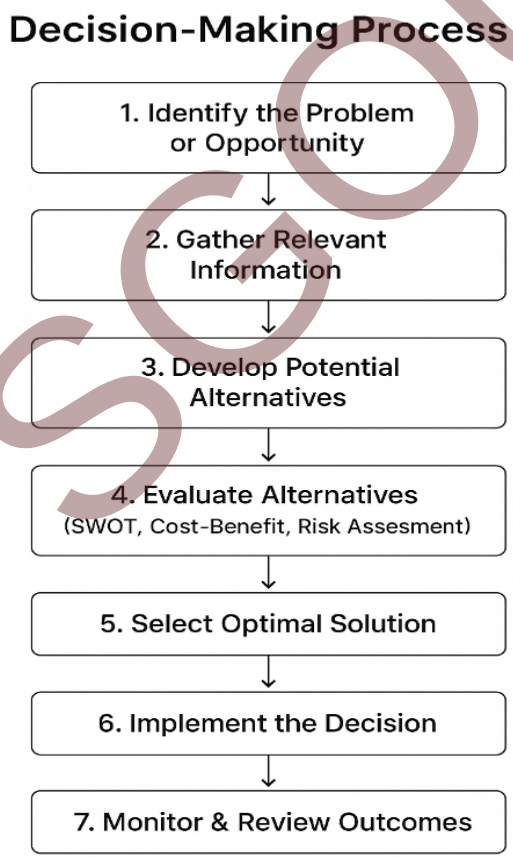
Key characteristics of decision-making include:

- ◊ Being goal-oriented and purposeful
- ◊ Involving multiple alternatives
- ◊ Requiring information analysis
- ◊ Following a logical sequence
- ◊ Impacting organisational outcomes

The quality of decisions directly affects an organisation's efficiency, competitiveness, and long-term sustainability, making it a critical skill for managers at all levels.

2.1.1.11 Decision-Making Process

The decision-making process is a structured approach that guides managers in making effective organisational choices. This systematic method ensures thorough analysis and consideration of all relevant factors before arriving at a final decision.



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1. Identifying the Problem or Opportunity

The process begins with recognising a situation that requires action. This could be a problem needing resolution (such as declining sales figures) or an opportunity for improvement (like entering a new market). A clear problem definition is crucial, as it sets the direction for all subsequent steps. Managers must distinguish between symptoms and root causes to address the actual issue effectively.

2. Gathering Relevant Information

Once the problem is identified, the next step involves collecting pertinent data and information. This may include market research reports, financial statements, customer feedback, or industry trends. The quality of information gathered significantly impacts the decision's outcome, making this a critical phase. Managers must ensure data is accurate, current, and from reliable sources.

3. Developing Potential Alternatives

This creative phase involves generating multiple possible solutions. Brainstorming sessions with team members often yield diverse options, such as price adjustments, product modifications, or marketing strategy changes. The goal is to develop a comprehensive set of alternatives without immediate evaluation or criticism, encouraging innovative thinking.

4. Evaluating Alternatives

Each potential solution undergoes rigorous assessment using analytical tools. Common evaluation methods include:

◊ - SWOT Analysis (examining Strengths, Weaknesses, Opportunities, Threats)

◊ - Cost-Benefit Analysis (comparing projected costs and benefits)

◊ - Risk Assessment (evaluating potential negative outcomes)

This stage requires objective analysis of each alternative's feasibility, potential impact, and alignment with organisational goals.

5. Selecting the Optimal Solution

After thorough evaluation, the most suitable alternative is chosen. The selection criteria typically consider factors like:

◊ - Resource requirements

◊ - Implementation feasibility

◊ - Risk level

◊ - Expected outcomes

◊ - Alignment with strategic objectives

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The chosen solution should offer the best balance between potential benefits and practical constraints.

6. Implementing the Decision

The selected alternative is put into action through careful planning. This involves:

◊ - Allocating necessary resources (financial, human, technological)

◊ - Assigning clear responsibilities

◊ - Establishing timelines

◊ - Developing contingency plans

Effective implementation requires clear communication and coordination across relevant departments.

7. Monitoring and Reviewing Outcomes

The final step involves tracking the decision's results and making adjustments as needed. Key performance indicators are monitored to assess effectiveness. If outcomes deviate from expectations, managers may need to revisit earlier steps, modify the implementation, or consider alternative solutions. This feedback loop ensures continuous improvement in the decision-making process.

This comprehensive approach ensures decisions are made systematically rather than arbitrarily, increasing the likelihood of successful outcomes while minimizing risks. Each step builds upon the previous one, creating a logical flow from problem identification to solution implementation and evaluation. Organisations that follow this structured process tend to make more consistent, well-informed decisions that align with their strategic objectives.

2.1.1.12 Types of Organisational Decisions

Managers face various types of decisions that differ in scope, complexity, and impact. Understanding these categories helps in selecting appropriate decision-making approaches.

1. Strategic Decisions

These are high-level choices that shape an organisation's long-term direction and competitive positioning. Typically made by top management, strategic decisions involve significant resource commitments and affect the entire organisation. Examples include market entry strategies, major investments, or corporate restructuring. Such decisions often require extensive analysis of external environments and internal capabilities, with impacts lasting several years.

2. Tactical Decisions

Operating at the departmental level, tactical decisions translate strategic goals into actionable plans. Middle managers typically make these medium-term decisions that

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cover periods from several months to a year. Examples include departmental budgeting, marketing campaign planning, or workforce allocation. These decisions bridge the gap between broad strategy and daily operations while requiring coordination across multiple units.

3. Operational Decisions

Front-line managers and supervisors make frequent, routine decisions that keep daily business activities running smoothly. These short-term decisions follow established procedures and directly affect work processes. Common examples include inventory replenishment, staff scheduling, or customer service protocols. While individually small in scope, collectively they significantly impact organisational efficiency.

Decision Classification Approaches

4. Programmed vs. Non-Programmed Decisions

Programmed decisions apply to repetitive, well-structured situations where established rules and procedures exist. Organisations often automate these routine choices, such as invoice processing or standard HR policies. In contrast, non-programmed decisions address novel, complex problems requiring customised solutions, like responding to new competitors or technological disruptions. These demands require creative problem-solving and often involve higher management levels.

5. Individual vs. Group Decisions

An **individual decision** is taken by a single person who carries full authority and responsibility, while a **group decision** is made collectively by a team, committee, or group of managers after discussion. Individual decision-making offers speed and clarity of responsibility, suitable for time-sensitive or straightforward matters. However, it may overlook alternative perspectives. Group decisions leverage diverse expertise through methods like brainstorming or Delphi techniques, particularly valuable for complex issues requiring multiple viewpoints. While more time-consuming, group processes often yield more comprehensive solutions and greater buy-in from stakeholders.

Common Decision-Making Challenges

Several barriers can undermine decision quality:

- ◊ - **Cognitive biases** systematically distort judgment, such as overconfidence in predictions or anchoring on initial information
- ◊ - **Resource limitations** constrain information gathering and analysis capabilities
- ◊ - **Time pressures** may force premature decisions without proper evaluation
- ◊ - **Organisational politics** can influence choices based on power dynamics rather than objective criteria
- ◊ - **Information overload** can obscure critical data points among irrelevant details

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Recognising these decision types and barriers enables managers to select appropriate approaches, allocate sufficient resources, and implement safeguards against common pitfalls. Effective organisations develop decision-making protocols matched to each situation's characteristics, ensuring both efficiency and quality in their managerial choices.

Case Study: FreshMart's Expansion Planning

FreshMart, a successful grocery chain with five stores in Bangalore, is planning to open its first store in Hyderabad. Owner Priya Sharma recognises the need for careful planning to ensure a smooth market entry. She begins by setting clear objectives: to open a 2,000 sq ft store within six months with a ₹50 lakh budget, achieving break-even within the first year.

Priya evaluates three potential locations: a busy commercial area with high footfall but expensive rent, a residential neighbourhood with moderate rent but a stable customer base, and a mall space offering visibility but requiring revenue sharing. After analysing costs, customer demographics, and growth potential, she selects the residential location as it aligns best with FreshMart's value proposition of convenience and community focus.

The implementation plan includes monthly milestones: finalizing the lease by Month 1, completing renovations by Month 3, hiring and training staff by Month 4, and conducting a soft launch by Month 5. However, two months into the plan, Priya encounters unexpected delays in obtaining the necessary licenses, threatening to push back the opening date.

This scenario illustrates the practical challenges of business planning while demonstrating key concepts: the importance of goal-setting, evaluating alternatives, and creating structured implementation plans. It also highlights how real-world uncertainties can impact even well-prepared strategies, emphasizing the need for flexibility in planning.

Questions:

1. How does FreshMart's approach reflect the planning process steps we've studied?
2. What factors should Priya consider when adjusting her plan to accommodate the licensing delays?
3. Why was the residential location ultimately the best choice given FreshMart's business model?
4. What inferences do you draw from the case?

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2.1.2 Organising

Organising is the second cardinal function of management. It essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving a specified objective. In a static sense, an organisation is a structure manned by a group of people who are working together to accomplish a common goal. In a dynamic sense, it refers to the process of welding together a framework of positions, which can be used as a management tool for the most effective pursuit of the goals of an enterprise.

2.1.3 Meaning and Definition

The word organisation is derived from the Latin word "organism", which means the structure of a body divided into parts. Organisation is the means of achieving the common goal. It can be used as a structure, a process and as a group.

To have a clear idea regarding the term organisation, we can peek into the following standard definitions.

- ◊ Chester I. Barnard "Organisation is a system of cooperative activities of two or more persons."
- ◊ Louis A. Allen "Organisation is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing the objectives"

In brief, Organising is the determining, grouping and arranging of the various activities deemed necessary for the attainment of a common objective

2.1.4 Purpose and Importance

The core or basic purpose of an organisation is to enable people to work together effectively for the accomplishment of a common goal. A good organisation creates relationships that minimise friction, focus on objectives, clearly define responsibilities for all parties, and facilitate the attainment of goals.

A sound organisation always ensures smooth and efficient functioning, a better degree of coordination between individuals, defines the positions of individuals, and creates their own responsibilities. All of these factors contribute to the smooth accomplishment of objectives.

A well-planned organisation has manifold advantages:

- ◊ Provides better facilities for administration.
- ◊ Promotes specialisation through the division of work.
- ◊ Permits growth within and outside the enterprise.
- ◊ Ensures diversification of work through proper assignment.

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- ◊ A sound Organisation always ensures the optimum utilisation of resources.
- ◊ A well-organised structure motivates employees to work effectively.
- ◊ It fosters team spirit among members.
- ◊ A sound Organisation always leads to innovations and technical improvements.

A sound and planned organisation creates a high degree of integration of various jobs, ultimately leading to the materialisation of ultimate objectives."

2.1.5 Steps /Process of Organising

The four-fold process for establishing an organisation is;

a. Determination of objectives

The primary step in the organisation process is the determination of objectives. The objectives determine the various tasks to be undertaken by all members of the organisation. This is the guiding force for the work to be performed by the individual in the undertaking. The objective should be clear, legible, practicable and time-bound.

b. Grouping up of activities

Here, activities of a similar nature are clubbed together and form divisions, sections and departments. This will ensure time-bound and efficient functioning of the organisation.

c. Assignment of duties

This is a crucial step in the organisation process. This step involves the allocation of work among people who are to perform the job and fixing their individual responsibilities. While assigning duties, care should be taken to see that the right job is given to the right persons with the due amount of authority and responsibility

d. Delegation of Authority

This is the last step in the organisation process. Delegation refers to the granting of authority to subordinates to perform the entrusted task well. It empowers managerial personnel to use money, men and materials for the visualisation of objectives. It is an indispensable element of administration. The proper delegation ensures the smooth functioning of the firm.

2.1.6 Principles of Organisation

A sound organisation needs a set of rules/principles for its smooth functioning. These are popularly known as principles of organisation. They are;

i. Unity of objectives

The organisation as a whole should have a clear idea about the overall objectives. It is necessary because of the fact that every member of the organisation knows their own

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objectives, which guide the activities towards the attainment of the common goal.

ii. Unity of command

This principle states that there should be one superior for a subordinate at a time, i.e., a subordinate is responsible for acting as per the direction of only one superior at a time. This principle ensures clarity of direction for the smooth functioning of tasks assigned to the subordinates. This is based on the principle that "no man serves two masters at a time".

iii. Span of control.

Span of control or span of management is one of the key principles of an organisation. Span means limit; as such, the span of control refers to the limit with which the superior can effectively control the number of subordinates. The purpose of this principle is to ensure the smooth running of the business through moderate and effective control over the subordinates. Generally, span may be too small in the top level, moderate in the middle level and a little larger in the lower-level management.

iv. Principle of exception

This principle implies that the procedure of entrusting /referring matters that do not come under the normal and routine business to higher-level management. It is an arrangement whereby all decisions relating to the routine affairs are handled by the lower-level management, and all the problems involving unusual matters should be referred to the higher level.

v. Scalar principle

The flow of authority from the top level to the lower level of the organisation in a graded manner is known as the "Scalar principle". According to this principle, "The authority and responsibility should flow in a clear, unbroken line from the top to the bottom. It is created through a process of delegation. This principle is also known as 'chain of command'.

vi. Departmentalisation

It is the grouping of similar activities into divisions, units or departments. It is based on specific norms. The basic purpose is to enable the individual managers to handle the work effectively, e.g. production, marketing, personnel, finance, etc.

vii. Decentralisation

Decentralisation is one of the cardinal principles of organisation. It is a policy granting permission to make decisions at lower levels of an organisation. Here, subordinates get a considerable amount of authority to manage the affairs of the concern. It is made through proper delegation of authority. However, the key decisions are taken only at the top-level management. It is a fine democratic function of the management.

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viii. Principle of balance

An organisation is a blend of different departments, divisions and sections. Each department differs from the other in terms of its activities. Even then, all of them should contribute to their allotted task in attaining the goal. To achieve this, a proper balance has to be maintained between various departments. There should be a fair and proper balance between the allocation of resources, delegation and assignment of duties.

ix. Delegation of Authority

The concept of delegation refers to the transfer of a due amount of authority to a subordinate for the visualisation of the entrusted task. It is a fine administration technique. It is meant for the easy accomplishment of the goals of the organisation and to reduce the burden of the superiors. When proper delegation is made, it will ensure the smooth realisation of objectives. The basic purpose of delegation is to reduce the administrative burden of the top management.

x. Flexibility

A sound organisation should practice the principle of flexibility, which means allowing adjustments for changes within the organisation. The fundamental characteristic of a fine organisation is 'the ability to adapt itself to new conditions.' Therefore, the structure should be such that it can incorporate changes.

xi. The principle of specialisation

This principle states that the division of work in accordance with qualification and relative experience of each job in the organisation. It is based on the assumption that each human being has only a limited capacity at their disposal. Therefore, for the accomplishment of group goals, it needs the exercise of specialised knowledge from different parts as well as persons of the organisation.

2.1.7 Departmentalisation

The process of organising of an enterprise is a twofold process.

◊ Dividing the work to be done and

◊ Assigning different duties and responsibilities to different individuals

Departmentalisation is the process used to group up the activities in to units for the purpose of convenience of administration. Department comprise a frame work for an organisation and are an agency of management. Departmentalisation provide sufficient scope for the executives for their development and efficient performance

Broadly, departmentalisation takes the following forms;

◊ By function

◊ By territory

◊ By process

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◊ By product/service

i. Functional basis

The most common form departmentalisation followed in almost all the cases is on the basis of function. Here the departments are set up on the basis of functions such as sales, personnel, finance, marketing etc.



ii. Territorial basis

This kind of departmetalisation is made when the size of the business is very big, and the geographical coverage is wide in nature. This will help the managers to identify the key issues relating to the respective area and do their best.

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iii. Process basis

This departmentalisation is suitable for the manufacturing business. Here, the jobs are identified on the basis of similar activities.

Here, similar machines and operations are pooled under one department to ensure smooth functioning, for e.g., lathe machines, drilling machines/department.



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iv. Departmentalisation on product basis

This departmentalisation is suitable for those firms producing multiple products. On the basis of nature and type of products, these departments are established and given responsibility to respective managers. The product-wise departmentalisation is highly suitable for the use of specialised knowledge, machines and methods of production.



2.1.8 Span of Management

Span of Management or span of control is one of the important principles of an organisation. Span means limit; as such, the span of control refers to the limit with which the superior can effectively control the number of subordinates. The purpose of this principle is to ensure the smooth running of the business through moderate and effective control over the subordinates. Span of control in general refers to "the number of people one can supervise directly". It postulates the limitation of human beings to control and coordinate the efforts of a large number of people at one time. The purpose is to ensure the smooth functioning of the firm through moderate and effective control over subordinates.

Generally, span may be too small at the top, moderate in the middle level and a little larger in the lower-level management. There is no clear-cut rule or answer for the length and number at a definite level for determining the span.

Factors determining the span

The following are the factors that determine the span.

i. Nature of work

ii. Intellectual capacity and supervising ability of superiors.

iii. The skill and ability of employees

iv. The organisational stability

v. The general attitude of the management towards delegation and decentralisation of authority

vi. The willingness and synergy of the subordinates to accept responsibility

vii. The system of control devices employed

viii. The duties of executives

ix. The stage of the company's growth, etc

There are different opinions about the number of subordinates in the span of control. According to Lyndall Fownes Urwick, the ideal number of subordinates for general supervision is four. On the other hand, General Ian Hamilton suggests that the ideal number of subordinates in a span is between 3 and 6. He believes that the human brain cannot effectively control more than 5 to 6 other brains.

An empirical formula for determining the appropriate number of subordinates was developed by the French management consultant, Mr V.I. Graicunas. He identified three types of superior-subordinate relationships for the purpose of determining the exact number of subordinates at each level.

a. Direct single relationship

b. Direct group relationship

c. Cross relationship

2.1.9 Organisation Structure

An organisational structure is the graphical representation of the positions of authority and responsibility of each individual in a formal organisation. It is an invisible framework of an organisation. It is, in reality, equal to an architectural plan of a building.

The architect or engineer who draws the plan has to consider a host of factors before finalising the plan. He has to consider the location, availability of areas, purpose of the building, available financial resources, etc. Similarly, in the case of an organisational structure, there are a number of factors to be considered, such as objective, attitude and nature of management, available personnel, size, location, etc.

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Some eminent authorities have described organisational structure as the framework or anatomy upon which the organisation develops and operates. Generally, an organisation's structure represents hierarchical arrangements of various positions in the organisation. It can be defined as "a system of job positions, the roles assigned to them and the authority-responsibility relationship among various positions.

Broadly, an organisation's structure is an invisible framework that ties together various technical and managerial experts and specialists. In reality, it outlines the activities and establishes the relationship between different positions.

2.1.9.1 Formal and Informal Organisations

Broadly, there are two forms of Organisations. They are;

a. Formal Organisation.

When an organisation is formed on the basis of a clearly defined organisation chart, it is known as a formal organisation. Here, the position, authority, responsibility, duties, etc., are clearly defined.

It is a purposeful and predetermined pattern of structure indicating the superior-subordinate relationship that should prevail in order to fulfil the objectives. It lays down the manner in which the work shall be done by the person in the organisation.

The formal organisation is impersonal, institution-oriented, and deliberately planned. It is "a system of well-defined jobs each bearing a definite measure of authority, responsibility and accountability".

According to Chester I. Bernard, "an organisation is formed when the activities of two or more persons are consciously coordinated towards a common objective"

Features of formal organisation

i. Formal organisation is planned and created by management

ii. It is established with the aim of achieving the predetermined goals of the firm

iii. It gives importance to positions and not to individuals

iv. It is based on authority and responsibility

v. It has written rules that decide the actions of each individual

vi. It is based clearly on the principles of organisation

vii. It has an official channel of communication and a clear-cut organisation chart

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Advantages

i. Clearly laid down duties, responsibility and authority

ii. There is a division of labour and subdivision of activities

iii. Responsibility for the failure or non-performance of a job can be fixed on the individual easily

iv. Clear rules and regulations are followed

v. Easy and effective coordination and control over the activities.

Disadvantages

i. There is no personal consideration or importance

ii. Rules are given more importance than persons

iii. It discourages the spirit of individual initiatives

iv. It is not an organisation of people, but of jobs or positions.

v. There is a chance of misuse of authority

b. Informal Organisation

These are spontaneously growing parallel organisations inside formal organisations through the process of informal communication or the grapevine. They mostly arise from social gatherings of people who work together in an establishment. It is natural that whenever people work together and meet each other, they develop personal friendships and interpersonal relationships. This leads to opportunities for social gatherings where members exchange their views and ideas on policy matters, the style of functioning, and other common interests.

It is observed that 'the informal organisations modify and simplify the formal system'. The informal organisation is not at all the outcome of a formal agreement, but rather out of a social gathering. The informal organisation influences the formal organisation to make decisions on matters which are omitted from the organisational pattern. Commonly, the informal organisations take place from social interactions. This organisational form helps the management in getting the response of the employees on different issues.

Features of informal organisations

i. It is unplanned and arises spontaneously

ii. Its goals are ill-defined and intangible

iii. It shows social relationships among employees

iv. It is based on common interest in art, culture, and social issues

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v. The membership in this organisation is voluntary

vi. It has no written rules

vii. There is no organisation chart for an informal organisation

Advantages

i. It fills up the gaps and deficiencies of the formal organisation.

ii. Informal organisation gives satisfaction to the workers and maintains the stability of the work.

iii. It is a useful channel of communication

iv. The presence of informal organisation encourages the executives to plan the work correctly and act accordingly.

v. The informal organisation also fills up the gaps in the abilities of the manager.

Disadvantages

i. It has the nature of upsetting the morality of workers.

ii. It acts according to mob psychology.

iii. Informal organisation indirectly reduces the efforts of management to promote greater productivity.

iv. It spread rumours among the workers regarding the functioning of the organisation unnecessarily.

Examples of Formal and Informal Organisations

◊ *Formal organisations* include government departments, universities, multinational corporations like **IBM or Infosys,** and banks such as **the State Bank of India.** In these organisations, authority, responsibility, and structure are clearly defined.

◊ *Informal organisations* can be seen in the form of **friendship circles within a company, sports or cultural clubs among employees**, or even **WhatsApp groups** created by colleagues to share ideas and grievances. These arise naturally from social interactions rather than being officially planned

2.1.10 Types of Organisations

i. Line Organisation

ii. Line and Staff Organisation

iii. Functional Organisation

iv. Committee Form of Organisations

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2.1.10.1 Line Organisation

Line organisation is the oldest form of organisation. It is the most direct, simple and most common type of organisation. It is also known as "military organisation or "traditional" or "hierarchical organisation", because the line of authority and responsibility resembles the one followed by the military organisation, church and such forms of social institutions.

In this type of organisation, each position has general authority over lower positions in the hierarchy in the accomplishment of the major goals of the organisation.

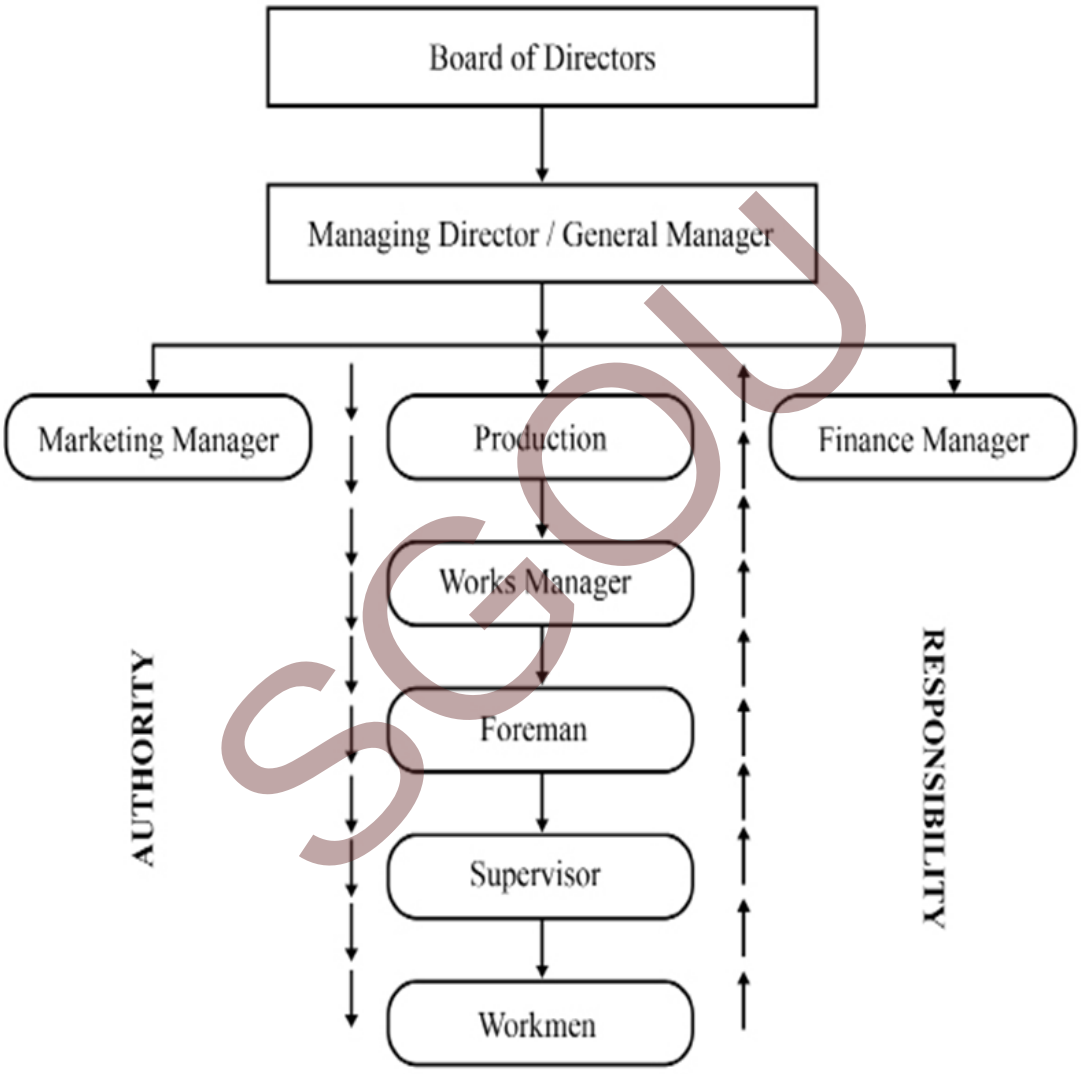


Figure 3.2.2 Line Organisation

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There is a downward flow of authority from the top to the bottom, directly from the managing director to the worker. On the other hand, the responsibility goes upwards in an ascending manner from the worker to the top-level executives. In this type of organisation, the scalar principle and the principle of unity of command are strictly followed. No subordinate is under dual command or with two or more superiors; the line of authority is the simplest subdivision, and the promotion is step by step upwards.

The system can be successfully used:

i. Where the scale of operation is comparatively small, and the subordinates are not too many.

ii. In continuous process industries like oil refinery, spinning and weaving, etc.

iii. Where the machinery is nearly, not entirely, automatic so that there is no call on the intelligence of the foremen.

iv. Where the work is simple and is almost of routine in nature.

v. Where there are no or hardly any labour problems to solve.

Advantages

The system resulted in manifold advantages. They are:

i. It is so simple and easy to work.

ii. It is economical and effective.

iii. It makes use of unity of command and scalar chain principles.

iv. It fixes definite responsibility for a definite task.

v. It is stable and less expensive.

Disadvantages

i. It is based on autocratic management.

ii. The division of work is more whimsical.

iii. It hampers progress and prevents the effective working of the unit.

iv. It creates a high degree of nepotism and bureaucracy.

v. Line organisation is rigid and inflexible.

2.1.10.2 Line and Staff Organisation

The line and staff organisation are developed due to the inherent limitations of line organisation and due to the growing demand for the business to use experts' services. Here, the term staff actually denotes a group of individuals who are assumed to be specialists in various intricacies of business activities. In a line organisation, line

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managers are concentrated on the maintenance of discipline and control over the activities. But they are not able to give attention to every phase of management. Thus, a specialist group is formed known as 'staff'. The line and staff organisation is a mixed blend of line organisation with advisory function. Here, the staff are considered as experts having in-depth knowledge in various spheres of industrial issues and having sufficient technical know-how. In its origin, staff was added purely as an advisor to the line structure with no authority to put recommendations into action. The staff are officers who are not in the line, and are supposed to give proper advice from time to time, as and when the line managers demand.

The concept of staff idea has also borrowed from the military, where they perform an advisory function for the commanders. In the military, they are concentrating on the collection and dissemination of information for decision-making purposes.

In the industrial or business scenario, the staff organisation came into existence as a result of the inability of the line managers to think, analyse and plan for future activities. The managers are always concentrated on the maintenance of discipline and control activities. As businesses grow bigger and are subject to fast growth due to modernisation and innovation, the requirements of the business are also growing at a faster pace. To keep going on this line, the expert or specialist service is inevitable, which leads to the wide-scale acceptance of staff. Thus, it leads to a new form of organisation called the Line and Staff Organisation.

The line and staff organisation made a distinction between thinking and doing. Here, as the name suggests, the line is concerned with the management of affairs and the maintenance of discipline. On the other hand, the staff is purely concentrating on thinking or advisory functions. Thus, the staff functions are clearly detached from line management. Here, staff are concerned with the work of research, investigation, recording, standardisation, and other advisory functions. As a result, the line and staff organisation made a clear demarcation between thinking and doing.

It is to be noted that staff functions are cooperative and coordinative, but they do not stand in any order of ascending or descending scale. Thus, to conclude, the role of staff is essentially one of advice, assistance and the provision of expert and specialised services. However, it is noticed that the element of service is relatively more important at the higher level and less at the lower level of the organisation. However, the staff in the lower level is also doing fine advisory functions for the line staff at the lower level. For the sake of convenience, the staff in the organisation may be

- ◊ **Personal staff:** Here, the staff official is attached to a line manager as a personnel assistant or advisor to the line manager. The functions are to render advice and services to the line managers as and when required
- ◊ **Specialised staff:** These are expert staff members occupying the pinnacle position within the organisation, such as Accounting, Personnel, and Public Relations, who provide advice to those at the top level or in key leadership roles.
- ◊ **General staff:** These staff are located at the central office and render services to top and middle management as and when required.

The line and staff system is one of the great classifying human factors between men of action leaders, managers, executives, i.e., the line and thinkers who are concerned with 'why' and 'how' and less with doing, like scientists, Planners, Organisers, Engineers, Accountants, etc.

Advantages

i. It is based on planned specialisation. For example, in a large manufacturing company, staff specialists such as engineers or accountants provide technical expertise, while line managers focus on production and discipline.

ii. The line management will get expert advice from staff managers

iii. It provides for better utilisation of human resources, leading to better skill development

Disadvantages

i. The line and staff managers' relationship often leads to friction and jealousy.

ii. If the allocation of duties and responsibilities is clear and well-defined, it leads to friction and confusion throughout the organisation

iii. There is a danger that the staff expert will remain ineffective due to a lack of authority and recognition.

2.1.10.3 Functional Organisation

Functional organisation is a logical extension of the line and staff organisation. Here, thinking and doing functions are clearly separated. The functional organisation is essentially the outcome of blending the scientific management system with the business scenario. Under this plan, specific functions common to all departments are each placed in the hands of a person specially qualified for their particular job. Instead of attending to all functions in one department, each person focuses on one aspect across all departments. This scheme is based on the theory of the division of labour, where personnel in an organisation are split up into various functional areas such as personnel, marketing, accounting, maintenance, and so on.

A notable point of distinction between line and staff organisation and functional organisation is that, in functional organisation, specialists' positions are just above advisors; they become executives in charge of single techniques that command several units of work. Employees are no longer under one boss but instead have as many bosses as their specific job functions demand.

The need for functional managers arises due to

i. The complexity of the modern big businesses.

ii. The need to make the fuller utilisation of specialist.

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iii. The necessity for avoiding undue burden on line managers in the day-to-day decision making and allied issues of the business position in the organisation.

iv. Overlapping of authorities due to multiple foreman ship

v. The flow of the authority and responsibility relationship is totally lost due to functional foremanship.

vi. The system increases clerical and related work

The coordination of work is not easy and creates a lot of complexities.

2.1.10.4 Committee Form of Organisation

As the name suggests, it is the democratic form of organisation. A committee is a group of people who form on the basis of a plan and discuss a particular subject. The need arising from technological and commercial development and the urge of employees in decision-making.

Theo Haimann defines a committee as "a group of persons either appointed or elected

who are to meet for the purpose of considering matters assigned to it".

Thus, a committee consist of one person or a body of persons. It develops the new ideas and approaches of the organisation.

A prerequisite of a good committee

The fundamental requisites of a good committee are clearly stated objectives, terms of reference, preferably in writing, granting adequate authority, wise selection of members, a competent chairman and an efficient secretary.

A committee may be constituted by the management for a specific purpose, which may be temporary or permanent in nature. The management decides the number of members.

Generally, there are two types of committees: Formal and Informal. A formal committee is one that is formally organised to assist the management. For example, the finance committee. On the other hand, a committee that is not formally set up for a general purpose is called an informal committee, and the subject matter for discussion may not be an official one.

2.1.11 Delegation of Authority

Delegation of authority is an art. It is an indispensable technique of management, achieving the decided objectives through the proper participation and involvement of individuals in a formal structure. It is now widely accepted because of the fact that, without proper Delegation, the task of managing becomes very difficult.

Meaning and definition

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The word delegation is derived from the Latin word "delegare' which means to grant or confer or send away. In other words, 'it literally means substitute a person with authority to act on behalf of one another'. In simple words, to delegate means to send a representative.

According to Koontz and O'Donnell, "Delegation is an elementary act of management. It has become the basis of organisational functioning, and it is the key to an organisation"

According to Louis A.Allen, "When one person gives another the right to perform work on his behalf and in his name, and the second person accepts a corresponding duty or obligation to do what is required of him", Delegation of authority comes into existence.

Theo Haimann defines Delegation as "the means of granting of authority to subordinates to operate within the prescribed limits."

Delegation is actually an art of dividing work for the realisation of objectives. It is the grant of permission to the subordinates with an equal amount of responsibility. It is the act of passing a part of a job that a superior is expected to perform under normal working conditions. In order to enable the subordinate to perform the task assigned, they are granted the required authority. In turn, they are also made responsible for the work allotted.

According to George R. Terry, "conferring authority from one executive to another or from one unit to another in order to accomplish a particular assignment. It is actually the dynamics of management. It is the act of dividing the work by top executives to the bottom in a gradual and descending manner to the lower level for the smooth performance of a given task.

Delegation of authority has the following features.

i. Delegation is an authorisation to a manager to act in a given situation in a given manner.

ii. The degree of Delegation prescribes the limit within which the manager has to decide things.

iii. Delegation has dual characteristics: as a result of Delegation, the subordinate gets a certain amount of authority, but at the same time, his superior retains all his original authority

iv. Authority once delegated can be enhanced, reduced or withdrawn depending on the situation and requirements.

v. Delegation of authority may be general or specific. It is specific when it is transferred for a given or definite purpose, and on the other hand, if it is transferred for all work, it is general in nature.

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vi. Delegation of authority is always to the position created through the process of organising. He/she can exercise the authority as long as he holds the authority.

2.1.12 Centralisation

Centralisation refers to the retention of decision-making authority at the highest levels of management within an organisation. In this structure, primary control and power remain concentrated among top executives, with limited authority delegated to lower levels. Centralisation represents a management approach where key decisions are made by senior leadership, while subordinates primarily implement these decisions.

According to Louis Allen, "Centralisation is the systematic reservation of authority at central points in the organisation."

Advantages

1. **Unified Decision-Making** – Decisions are made by top management, ensuring consistency across the organisation.
2. **Better Coordination** – Central control avoids duplication of efforts and maintains uniform policies.
3. **Quick Implementation of Policies** – Since decisions come from a single source, policies can be enforced quickly.
4. **Economies of Scale** – Centralised purchasing and operations can reduce costs.
5. **Strong Leadership –** Top management can maintain better control and direction over the entire organisation.

Disadvantages

1. **Overburdened Top Management** – Senior executives may become overloaded with decisions, leading to delays.
2. **Lack of Initiative at Lower Levels** – Employees may feel less empowered and dependent on top-level instructions.
3. **Slow Decision-Making for Local Issues** – Decisions may take longer as they have to travel up and down the hierarchy.
4. **Demotivation** – Limited participation of lower-level managers and employees may reduce motivation and creativity.
5. **Less Adaptability** – Centralised structures may struggle to respond quickly to local or dynamic market conditions

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2.1.13 Decentralisation

Decentralisation refers to the Delegation of authority to lower levels of management and to all departments of the organisation. In this way, authority is pushed down to the lowest level. Therefore, decentralisation is an extension of Delegation to a wider area. Decentralisation is a management approach of giving lower-level employees an important role in the decision-making process.

According to Henry Fayol, "Everything that goes to increase the importance of the subordinate's role is decentralisation"

Advantages

1. **Faster Decision-Making** – Decisions are made closer to the point of action, reducing delays.
2. **Encourages Initiative** – Lower-level managers and employees take more responsibility, fostering innovation.
3. **Motivation and Development** – Delegation empowers employees, improving morale and building future leaders.
4. **Better Adaptability** – Local managers can respond quickly to specific regional or departmental needs.
5. **Reduced Burden on Top Management** – Senior executives can focus on strategic issues rather than routine decisions.

Disadvantages

1. **Lack of Uniformity** – Decisions may vary across departments or regions, leading to inconsistency.
2. **High Cost of Coordination** – More managers and resources may be required to handle decision-making at various levels.
3. **Risk of Misalignment** – Lower-level decisions might conflict with overall organizational goals.
4. **Requires Skilled Managers** – Effective decentralisation depends on the competence of middle and lower-level managers.
5. **Duplication of Efforts** – Without strong coordination, resources may be wasted through overlapping decisions.

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Case Study: Streamlining Operations at GreenTech Solutions

GreenTech Solutions, a mid-sized renewable energy company, faced operational inefficiencies as it expanded from 50 to 200 employees. Departments worked in silos, decision-making was slow, and project timelines were frequently delayed. The leadership team recognized the need to restructure the organization to improve coordination and efficiency.

They began by defining clear objectives: to enhance cross-department collaboration and accelerate project delivery. Next, they grouped related activities into specialized units—solar, wind, and hydro energy divisions—each with dedicated teams for design, installation, and maintenance. Roles and responsibilities were clearly assigned to avoid overlap, with project managers given authority to make on-site decisions. Finally, they delegated decision-making power to division heads, empowering them to approve budgets and timelines within set guidelines.

The new structure led to faster project completion, better resource allocation, and improved employee morale, as teams understood their roles and had the autonomy to execute tasks efficiently.

Reflection Questions:

1. How did GreenTech's reorganization align with the steps in the organizing process?
2. Why was delegating authority crucial for improving project timelines?
3. What potential challenges could arise if roles and responsibilities were not clearly defined?

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Summarised Overview

Planning serves as the foundation for effective management, providing direction by setting clear objectives, evaluating alternatives, and establishing structured approaches to achieve organisational goals. It encompasses various types, including strategic, operational, and contingency plans, each tailored to different timeframes and purposes. A well-designed plan balances thorough analysis with adaptability, ensuring organisations remain responsive to changing conditions while maintaining focus on long-term objectives.

Organising transforms plans into actionable structures by systematically grouping tasks, defining roles, and allocating resources. It establishes clear lines

of authority and responsibility through delegation, departmentalisation, and well-defined reporting relationships. The organisational structure—whether functional, divisional, or matrix-based—shapes workflow efficiency and coordination. Both formal hierarchies and informal networks contribute to operational effectiveness, with successful organising enabling specialisation while maintaining flexibility.

Together, these functions create a framework that aligns resources with strategic priorities. Planning defines what needs to be accomplished, while organizing determines how work will be divided and executed. The interplay between these functions ensures that goals are not only set but also structurally supported through logical task allocation and accountability mechanisms. Effective implementation requires adherence to core principles like unity of command, appropriate span of control, and balanced decentralisation—all of which contribute to cohesive and adaptive operations.



Self Assessment Questions

1. What are the key differences between strategic, operational, and contingency plans? Provide an example of when each type would be most useful.
2. Explain how the principle of "unity of command" contributes to effective organisational structure. What problems might arise if this principle is violated?
3. Describe the steps involved in the delegation process. Why is it important to match authority with responsibility?
4. Compare and contrast formal and informal organisational structures. How do they complement each other in a workplace?
5. How does departmentalisation improve efficiency in an organisation? Discuss two different bases for departmentalisation and their advantages.



Assignment Questions

1. Case Analysis: A mid-sized manufacturing company is experiencing delays in decision-making and overlapping responsibilities among departments. Using the principles of organising, recommend structural

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changes to improve efficiency. Justify your recommendations with relevant concepts.

2. Scenario-Based Planning: A retail chain plans to expand into three new cities within a year. Outline a step-by-step planning process it should follow, including objectives, forecasting, risk assessment, and implementation strategies.

3. Critical Evaluation: "Decentralisation improves employee motivation but may lead to coordination challenges." Do you agree? Discuss the pros and cons of decentralisation, supporting your arguments with organisational examples.



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Unit 2

Staffing,Directing and Controlling

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ explain the meaning, importance, and elements of Staffing in an organisation
- ◊ describe the directing function, its principles, and its role in managerial effectiveness
- ◊ analyse the controlling process, including its steps, types, and significance in management
- ◊ compare traditional and modern control techniques, evaluating their advantages and limitations
- ◊ assess practices in Staffing, directing, and controlling concepts to real-world business scenarios

Background

Management theory comes alive when we examine how organisations actually operate on a daily basis. We have explored the fundamental concepts that define management, and now it's time to understand how these principles translate into practice through three critical functions, viz, Staffing, directing, and controlling. Staffing represents the art and science of building effective teams - identifying the right talent, developing skills, and creating workforce stability. Directing brings these teams to life through leadership, motivation and clear communication, turning plans into action. Controlling them ensures this action stays aligned with organisational objectives through careful monitoring and adjustment. These interconnected functions form the operational heartbeat of any successful enterprise, where strategic vision meets practical execution. In

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today's rapidly evolving business landscape, mastering these aspects becomes particularly crucial as organisations navigate technological disruption, changing workforce expectations, and competitive pressures. Understanding these core management processes provides valuable insights into what makes businesses thrive, whether we're analysing established corporations or innovative startups.



Keywords

Staffing, Recruitment, Performance Appraisal, Directing, Leadership, Motivation, Controlling, Performance Monitoring, Organisational Efficiency, Workforce Management



Discussion

Once organisational activities are structured and job positions are defined, the process to find the right people for these job positions is crucial. This can only be done by the process called Staffing. Now, we can go deep into the function of Staffing.

2.2.1 Staffing

The management function of finding the right person for the right job at the right time is called Staffing. It is a continuous process. This is because retaining and maintaining manpower is a never-ending process, as managers have to regularly maintain the size and composition of personnel required by the organisation. A manager does this function regularly. Staffing involves finding the right person for the right job, having the right qualification, and doing the job at the right time. This doesn't mean Staffing is limited to just recruiting a qualified person for a job. But it involves recruitment, selection, training, development, transfer, promotion and compensation of personnel.

2.2.1.1 Definition

As per prominent management authors, Koontz and O'Donnell, "Staffing is filling and keeping filled, positions in the organisational structure. This is done by identifying workforce requirements, inventorying the people available, recruiting, selecting, placing, promoting, appraising, planning careers, compensating, training, and developing existing staff or recruits so that they can accomplish their tasks effectively and efficiently."

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An organisation can only take advantage of opportunities if the people employed are good enough to identify these opportunities. So, the strength of an organisation depends upon the strength of its members or personnel. Thus, organisations become efficient and effective based on the effectiveness of their staffing function. For instance, all physical, financial and other resources of the organisation are handled by human resources. Hence, their efficient and effective utilisation to reach organisational goals depends on these personnel. It is the people or personnel of an organisation that give it a distinct identity and advantage over others.

2.2.1.2 Elements of Staffing

The three main elements of Staffing are:

- ◊ Recruitment
- ◊ Selection
- ◊ Training

Recruitment: Recruitment refers to the process of identifying potential candidates for a job or position. It is the process of seeking out prospective employees and encouraging them to apply for jobs in an organisation. Various sources of recruitment include advertisements through newspapers, classifieds, social media platforms like LinkedIn, Naukri, etc., campus interviews, job centres, etc.

Selection: Selection is the process of identifying and choosing the most suitable candidate from a pool of applicants for a job. The selection process involves a series of tests, which may be aptitude tests, group discussions and personal interviews. Throughout the process, many candidates are eliminated during each stage until the ideal candidate is found. The selection process starts right from the screening of applications and may continue even after the offer of employment, acceptance and joining of the candidate. Ultimately, the effectiveness of the selection process is measured by the on-the-job performance of the selected candidate.

Training: In an era of rapidly advancing technology, it is essential to provide sufficient training to employees. Rapid changes happening in our society have increased pressure on organisations to readapt their products and services, their production methods, job roles and the skills needed for these jobs. Training and development aim at improving the skills, knowledge and attitude of the employees so as to enhance their performance.

2.2.1.3 Functions of Staffing

Staffing is crucial for organisational performance. The ability of an organisation to achieve its goal depends upon the performance of its employees. The main functions of Staffing are as follows:

- ◊ To identify and secure competent personnel for various positions.
- ◊ To select the right person for the right job.

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- ◊ To ensure the ongoing survival and growth of the enterprise by planning for managerial succession.
- ◊ To ensure optimum utilisation of human resources.
- ◊ To evaluate the performance of the employees and take corrective actions if necessary.
- ◊ To provide fair rewards for the contribution of employees and enhance job satisfaction.

2.2.1.4 Process of Staffing

Staffing is a process which ranges from manpower planning to performance appraisal. All organisation goes through these processes in order to make the optimum utilisation of their human resources. The process of Staffing helps in ensuring the right person at the right time for the right job. Let's understand in detail the various stages in the process of Staffing.

Let us try to understand the process of Staffing with an example. Creative Advertising is an Advertisement Company. As part of their business expansion into online platforms, the company has tasked Human Resource Manager, Mr Ramesh, to form a digital marketing team. As Mr Ramesh is the Human Resource Manager of Creative Advertising, he is responsible for hiring eligible candidates for the company. Let us look at how Mr Ramesh fulfils this assignment. The staffing process involves a series of activities undertaken to find and maintain manpower in an organisation. Mainly, there are five steps in the staffing process, which start with manpower planning. As per the decision of the top management of the company, the digital marketing team require five staff – a manager and four digital marketing executives. This decision is part of manpower planning, which is explained below.

- ◊ Manpower Planning
- ◊ Job Analysis
- ◊ Recruitment
- ◊ Selection
- ◊ Training and Development
- ◊ Performance Appraisal

i. Manpower Planning

The first part of staffing is manpower planning, which is the process of determining the size and composition of personnel required by the organisation for the task ahead or future goals. Manpower planning also involves the formulation of relevant strategies, rules, regulations and programs to meet the manpower requirements efficiently.

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Figure 2.2.1 Objectives of Manpower Planning

As per management author Dale S. Beach, "Manpower planning is the process of determining and ensuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved."

Objectives of Manpower Planning

Now you may ask why such elaborate planning for hiring people? The objective of manpower planning in an organisation is as follows.

- ◊ Obtain and retain the optimum quality and quantity of manpower
- ◊ Utilise manpower in the best way possible
- ◊ Anticipate the issues from potential surplus and deficit of manpower

It empowers organisations like Aztech Corp to have total freedom and control over the size and quality of its personnel continuously.

Let's look at the activities involved in manpower planning!

In Aztech Corp, First, management has to prepare the account of the current size and composition of personnel, based on their position, skill, experience, age, qualification, etc. This provides a means to forecast the future manpower requirements of the organisation.

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Next, the management has to take into consideration future expansion plans, technological changes in operations, changes to organisation structure, employee turnover, department budget, promotions and transfers of existing personnel, the behaviour of the employment market and business environment. Based on these criteria, the future manpower needs of the organisation can be estimated.

Now, let us understand the process of manpower planning carried out by organisations like Creative Advertising for their digital marketing team.

Manpower Planning Process

Once the strength of the digital marketing team is determined by the management of Aztech Corp, they establish the type of work, qualification and skill set, working hours, duties and miscellaneous tasks that the digital marketing team will be required to do. That is referred to as Job Analysis, which is described below.



Figure 2.2.2 Process of Manpower Planning

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ii. Job Analysis

Job Analysis is at the centre of manpower planning; it is the process of analysing the established jobs in an organisation, to determine the qualifications, skills, experience and expertise required by people to fill these jobs. It includes the following process,



Figure 2.2.3 Process of Job Analysis

Job Analysis includes a job description and a job specification. In Job analysis, the first step leads to the job description, whereas the third step leads to the job specification. Let's understand the two major aspects of Job Analysis.

Job Description

As per Aztech management, a Digital Marketing Manager will be doing the formulation of strategies for digital connections with customers, monitoring and engaging with social media brands, and creating a content plan for social media, email marketing, etc. Whereas a Digital Marketing Executive will be responsible for creating and executing SMS and email-based marketing campaigns, monitoring Aztech's social media strategy, maintaining Aztech's website, etc.

Job Description is a written narration describing duties and activities to be carried out in a job, the relationship of the job with other jobs, the tools and equipment involved, the nature of supervision, working conditions and hazards of the job. In an organisation, all jobs have to be described in detail to determine the qualifications and skills required for each job.

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Job Specification

As per Aztech management, the Digital Marketing Manager must be an MBA graduate in Marketing, along with five years of experience in digital marketing. The Digital Marketing Executives must be marketing graduates with a minimum of one year of experience and should have completed a search engine optimisation (SEO) course. That is referred to as the Job Specification, which is described below. It is a written statement specifying the qualifications, skillset, physical abilities, experience, judgement and attributes required to perform the job. In simple words, it states the minimum qualities required for performing the job.

You may ask why these two aspects of job analysis are highlighted.

This is because Job descriptions and job specifications are the most important aspects utilised for the recruitment and selection process of staffing. They also serve as the guideline for wage structure, orientation, and training of every recruit. Job Description and Job Specification are part of Job Analysis, which is, in turn, a part of Human Resource Planning or Manpower Planning.

Let us move on to the next logical process of Job Design.

Aztech's Management also establishes the way the company's digital marketing tasks are organised. This includes who oversees which digital marketing activities, digital marketing tasks, how it should be done, how much is to be done and in which order. It also includes reporting authority, leaves, daily breaks, working time, shifts, etc. That is referred to as Job Design, which is described below.

Job Design

Job design is the consequential step to job analysis. As job analysis provides the information about the qualifications, skills, abilities and competencies required by an individual to perform the job efficiently, Job design organises tasks, duties and responsibilities into a job so that it contributes towards attaining the organisational objectives.

As per Management author Michael Armstrong, "Job design is the process of deciding on the contents of a job in terms of its duties and responsibilities, on the methods to be used in carrying out the job, in terms of techniques, systems and procedures and on the relationships that should exist between the jobholder and his superiors, subordinates and colleagues."

The design of the job has a significant impact on productivity and job satisfaction, as a job that is poorly put together or designed often leads to boredom, high employee turnover, job dissatisfaction, high cost and low productivity in an organisation. Hence, job design is an effort to synchronise job requirements and manpower attributes.

iii. Recruitment

Manpower planning and job design lead to the recruitment process. It is the overall process of identifying, attracting, screening, interviewing, and onboarding suitable candidates for jobs in an organisation.

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As per Management Author, Edwin Flippo, "Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation."

The recruitment process is carried out by locating the sources and the availability of potential candidates. Then the organisation needs to cast a wide net to publicise their requirements to attract many people to apply for these jobs. The whole purpose of recruitment is to bring in as many potential candidates as possible so that the organisation has a wide pool of candidates to select from. In simple words, the process of attracting individuals to apply for job positions that are vacant from time to time in an organisation is referred to as recruitment.

Aztech Corp first circulated an internal memo and email regarding these vacancies within the company. Even after two weeks, when no one applied, the company placed an advertisement for the same in newspapers, employment exchange, and private recruitment agencies. Thus, covering all sources of recruitment. This is elaborated below.

Sources and Types of Recruitment

There are two sources of recruitment, internal sources and external sources. The internal source includes filling positions within the organisation, i.e., from the employees of the organisation, whereas filling positions with people outside the organisation are the external source. The organisation's preference for sources is based on the employee calibre, bargaining power of the union, organisational policies, management preference and job requirements.

1. Internal Recruitment

The recruitment process involving the employees of the organisation is called internal recruitment. For instance, Aztech Corp initially notified their employees about the vacancies so that those interested could apply. As per the notification, Mr Binoy and Mr Kiran, who were the team leaders of the marketing department, applied for the post of Manager, Digital Marketing. This is known as Internal Recruitment.

Many organisations prefer to nurture their talent pool by providing them opportunities in the form of promotions to an upper position and transfers to a new location. These organisations regularly maintain a record of the skills, qualifications and experience of employees to check their eligibility for promotion and transfer. Internal recruitments are mostly notified through internal communications like notifications, internal emails, memos, etc.

a. Transfers

Transfer involves the shifting of persons from their present jobs to other similar jobs. These do not involve any change in rank, responsibility or prestige. The number of persons does not increase with transfers.

b. Promotions

Promotions refer to the shifting of persons to positions carrying better prestige, higher responsibilities and more pay. The top-level vacancies could be filled by promoting

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personnel within the company. A promotion does not increase the number of persons in the organisation.

c. Demotion

Demotion refers to the act of lowering an employee's rank, position, or job level within an organisation. It can occur for various reasons and is typically seen as a disciplinary or performance management measure. Demotion might be used to reassign employees to roles that better fit the revised organisational structure or strategic direction.

2. External Recruitment

The recruitment process involving the vast majority of people outside the organisation is called external recruitment. These are mostly notified through media advertisements, educational institutions, employment exchange, external agencies, etc.

There are various methods of external recruitment, like formal employees, educational institutions, labour unions, employment agencies, other organisations, etc. For highly specialised jobs, organisations may adopt many unconventional methods of external recruitment like organisational acquisitions, Simulations or Competitions, Internships, etc. External recruitment and its success greatly depend upon employment market conditions, organisational reputation, the scale of economic benefits, etc.

a. Job Advertisements:

Job advertisements are the direct posting of job openings on company websites, newspapers, social media platforms, and industry-specific websites. These advertisements help in attracting applicants in a large pool of potential candidates and promote your company's reputation in the market. The main disadvantage is the high cost involved with it.

b. Campus Recruitment:

Organisations use campus recruitment as a method to find and recruit recent graduates and bright students from academic institutions. They conduct recruitment events at colleges to make contact with upcoming graduates looking for job opportunities, and it is considered one of the most effective methods. This strategy enables companies to spot promising and potential candidates at an early stage of their careers

c. Employment Exchanges:

Employment exchanges are run by the government and aim to reduce unemployment by connecting job seekers with employment opportunities. The Employment Exchange collects and provides information about potential candidates, employers and various vacancies, making it easier for job seekers to find suitable jobs and for companies to find qualified workers. This is a cost-effective way of finding candidates.

d. Employee Referrals

Many organisations have implemented an employee referral program to enhance their recruitment process. Referral programs combine both internal and external recruitment

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strategies, where current employees are encouraged to refer potential candidates for open positions.

e. Labour Unions:

Labour unions can play a significant role in recruitment processes, especially in industries where union membership is common. In certain occupations like construction, hotels, and the maritime industry, all recruits usually come from unions. However, in other industries, unions may be asked to recommend candidates either as a goodwill gesture or as a courtesy towards the union.

f. Poaching

Poaching in recruitment refers to the practice of actively recruiting or attracting employees who are already working for another organisation to join a different company. This typically involves approaching talented or skilled individuals who are considered valuable assets in their current roles. Poaching raises ethical questions about fairness and loyalty, as it involves actively enticing employees who may be content or loyal to their current employers.

g. Casual Callers

People who approach a company to inquire about job openings without giving prior notice or reference are known as casual callers. The firm creates a database of casual callers to create a list of potential employees, and from this, the right candidate is selected.

h. Recruitment Agencies

Companies can outsource their hiring process to a recruitment agency that identifies and selects suitable candidates on their behalf.

Although the cost of using a recruitment agency is high, it frees up your time to focus on more critical matters. Recruitment agencies are a great option for filling specialised positions and for companies that don't have the internal HR resources to focus on hiring.

iv. Selection

The process that follows recruitment is called selection; it is a process of selecting the most eligible candidates who applied for the job during recruitment.

As per Management author Harold Koontz, "Selection is the process of choosing from the candidates, from within the organisation or from outside, the most suitable person for the current position or the future positions."

Selection is enabled by gathering maximum information from prospective candidates. Here, the information refers to the candidate's name, age, educational qualification, work experience, skill level, accomplishments, family background, aptitudes, interests, physical fitness, etc. The selection process is a series of steps involved in choosing the right candidate with the right qualifications to fill the job position.

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Please remember that selection is not a simple process but a multi-step process. Let us understand the overview of how the selection is carried out in steps.

Selection Process

The selection process is a series of steps that aims at choosing the most qualified candidate for the job position. This is carried out in the following steps.



Figure 2.2.4 Process of Selection

Step 1: Job Application - The process starts with the candidate providing their complete information using an application form or resume. The information provided serves as the basis for their suitability and eligibility for the next steps.

Step 2: Primary Screening - The process of the initial assessment of the basic suitability of candidates for a job position by comparing their job application with the job description and job specification. The Primary screening is aimed at reducing the overall selection cost by eliminating unsuitable candidates at the beginning itself.

Step 3: Qualification Tests – This process involves subjecting the candidates who cleared primary screening to a certain test. These tests serve as a means to evaluate a candidate's personality, aptitude, skill, knowledge and work experience. Based on the results of the test, the candidate's suitability for the

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job can be determined. There are different types of qualification tests used for the selection process, like aptitude tests, intelligence tests, performance tests, personality tests, etc. These tests explore further dimensions of the candidate's suitability for the job position. It further streamlines the selection process by removing unqualified candidates who have filtered through primary screening.

Step 4: Interview – This process or method of selection involves a face-to-face interview by a person or a group of experts, also known as an interview panel. The interviewers ask candidates spontaneous questions, and based on their response, candidates are assessed and evaluated. This evaluation serves as a means of selection. It is the most widely used method of selection as it gives the selectors a first-hand personal experience of the candidate's attitude, personality, knowledge base, communication and other skills, etc., which is not possible with any previous process of selection.

Step 5: Checking References – The process of checking candidates' truthfulness and trustworthiness by cross-checking all the information gathered during the selection process with their previous employer or a teacher who knows the candidate very well. Every candidate is required to provide references while applying for the job.

Step 6: Physical Examination – Once the most eligible candidates are filtered through the interview process, they are subjected to physical examination. It is the process of determining a candidate's physical fitness for the job through a series of physical exercises or medical examinations. This is mostly carried out by a qualified physical trainer or medical practitioner appointed by the organisation.

Step 7: Final Decision – The process of deciding on the most suitable person from the shortlisted candidates of the previous selection processes. The final decision is based upon the recommendations of the interview panel and the opinion of the respective manager who requested the personnel.

There is no foolproof plan for selection, and it is an organisation-specific activity, so the selection process is tailored to meet the organisational policies and practices. For example, some organisations don't conduct tests, instead skipping to interviews, whereas others omit tests and physical examination and conduct interviews instead. Please understand that the whole purpose of the selection process is to gather as much information as possible from the recruits and assess them for their suitability for the job position.

Recruitment is the process of addition, whereas selection is the process of elimination. One adds people, whereas the other eliminates them to find the best out of the best. Both these processes complement each other and serve as a basis for attaining and maintaining an efficient and effective human resource in the organisation.

Recruitment and selection serve as the cause for the right man for the right job. It is the basis of creating an organisation of efficient, capable and loyal people.

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Case Study: Revitalising CityFirst Bank's Workforce

CityFirst Bank, a regional bank with 35 branches, was struggling with declining customer satisfaction scores and high employee turnover, particularly among customer service representatives. The HR director, Ms Kapoor, noticed new hires were taking nearly four months to become fully productive, and many left within their first year.

After analysing the situation, the bank completely overhauled its staffing approach. They began by conducting detailed job analyses for each customer-facing position, which revealed that their existing job descriptions didn't properly reflect the digital skills needed in modern banking. The HR team worked with branch managers to create updated, realistic job specifications that emphasised both technical banking knowledge and customer interaction skills.

For recruitment, CityFirst implemented a multi-channel strategy. They prioritised internal candidates for senior positions, promoting three assistant managers who had shown leadership potential. Externally, they partnered with local business schools to create a pipeline of young talent while still using selective job portal postings for experienced hires. The selection process became more rigorous, incorporating online banking simulations and group problem-solving exercises alongside traditional interviews.

New employees now undergo a comprehensive three-week onboarding program that combines classroom training with branch rotations. Each new hire is assigned a mentor for their first six months, and monthly refresher workshops keep skills sharp. The bank also redesigned its performance evaluation system to provide more frequent feedback and tie rewards directly to measurable outcomes like customer satisfaction and transaction accuracy.

Within eighteen months, CityFirst saw remarkable improvements. Employee retention increased by 50%, training time for new hires was cut in half, and customer satisfaction scores rose by 35 points. The changes were particularly impactful in their digital banking services, where employee competency scores improved dramatically.

Questions:

1. How did updating job descriptions and specifications help CityFirst Bank address its staffing challenges?
2. What advantages might the bank's new multi-phase selection process have over its previous hiring methods?
3. Why do you think the combination of classroom training and branch rotations proved more effective than their previous training approach?

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2.2.2 Directing

Directing is providing instruction and guidance to people to do work. But from a managerial perspective, directing is the process of instructing, guiding and overseeing employee performance to achieve predetermined objectives. It is considered to be the heart of the management process, that is, all other management activities of planning, organising, staffing and controlling are centred around directing.

As per organisational theorist Ernest Dale, "Direction is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, providing on-the-job instructions and of course, issuing orders."

2.2.2.1 Characteristics of Directing

- ◊ **Initiates action** - Directing is the central managerial function. During discharge of his duties, a manager initiates planning, organising, staffing and controlling through directing, that is, as other functions prepare a setting for action, directing initiates action in an organisation.
- ◊ **Applies to every level of management** - Directing exists wherever there is a superior-subordinate relationship. Every member of management, from the top executive to the line manager or supervisor, performs the function of directing. So, we can say that directing is a pervasive and comprehensive function as it relates to all levels of management, irrespective of the type and size of business.
- ◊ **Continuous process** - Directing is a continuous function. It takes place throughout the organisation during its entire lifetime, irrespective of the people occupying managerial positions.
- ◊ **Flows from top-level to bottom level -** Directing function initiates at the top level and flows to the bottom level throughout the organisational hierarchy. That is, every manager is subject to directing function from his or her superior, based on which he or she directs the subordinates.
- ◊ **Performance-oriented -** Directing is a performance-oriented function; it converts plans into performance. The prime objective of directing is to increase performance efficiency. That is, directing function attempts to coordinate the performances of individuals towards realising organisational goals.
- ◊ **Human Element -** Directing function is based on the study of human behaviour. It is always attempting to improve the interpersonal and intergroup relationships, thereby motivating employees to work to their best ability.

2.2.2.2 Importance of Directing

Directing is considered the heart of management, hence it is referred to as the life spark of an enterprise, as it is the central activity of an organisation around which the accomplishment of organisational goals takes place.

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As operations of an enterprise are initiated through the directing function of management, it is sometimes called the actuating function of management. The following points encapsulate the importance of directing function in an organisation.

- ◊ **Initiates action** – Directing is the starting function from which the action takes place. Through directing, only subordinates understand their jobs and carry them out as instructed by superiors.
- ◊ **Integrates efforts** – Directing relates and integrates the efforts of every individual in such a way that each effort contributes to the organisational function.
- ◊ **Means of motivation** – Directing guides subordinates to realise their potential and capabilities, thereby motivating them to work harder and reach their full potential.
- ◊ **Provides stability** – It nurtures commitment and cooperation among people, thereby attaining balance and stability among various groups and activities of the organisation.
- ◊ **Facilitates needed changes** – Directing can mitigate resistance to changes through proper communication, motivation and leadership, thereby reducing such resistance and developing required cooperation.
- ◊ **Generates effective utilisation of resources** – Directing help in clarifying the role of subordinates towards their work and responsibilities, ensuring reduction in wastage, avoidance of duplication of efforts and overlapping of performances. This leads to effective utilisation of resources of men, machines, materials, and money in organisations.

Thus, directing is the prime function of management that kick-starts and runs an organisation.

2.2.2.3 Principles of Directing

Directing is a complex function as it deals with people having different attitudes and experiences. So, the following essential guiding principles are followed.

- ◊ **Maximum individual contribution** - This principle states that directing practices must help every individual to contribute to their maximum potential towards the achievement of organisational objectives. It should tap into the unexplored vigour of employees and contribute towards the efficiency of the organisation.
- ◊ **Harmony of objectives** - Directing should synchronise individual and organisational objectives by convincing employees that rewards and work efficiency are complementary to each other. That is, most often, individual objectives and organisational objectives conflict with each other.
- ◊ **Unity of Command** - This principle emphasises that in an organisation, one person should receive instruction from one superior only. That is, if an individual receives instruction from more than one superior, it may lead to conflict and disarray in the organisation.

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◊ **Appropriateness of direction technique** - This principle emphasises that directing people should be carried out using appropriate motivational and leadership techniques based on subordinate needs, attitudes, capabilities and other situational variables.

◊ **Managerial communication** – This principle emphasises that directing should convey clear instructions to subordinates, which will avoid misunderstanding. Further, it should induce a proper feedback action so that superiors ensure that subordinates understand their instruction clearly.

◊ **Use of informal organisation** – This principle emphasises that directing should be through formal and informal channels of the organisation, especially, it must always include informal channels. Every organisation exists with formal and informal groups, and for the effectiveness of directing function, informal groups are not to be ignored when conveying instructions.

◊ **Leadership –** This principle emphasises that a superior should exhibit leadership while exercising directing function, to influence the subordinates positively without causing displeasure among them.

◊ **Follow through –** This principle states that every directing function should be continuously reviewed or followed up on. This is to see if the conveyed orders are being implemented accordingly to plan and to take necessary action to counter problems.

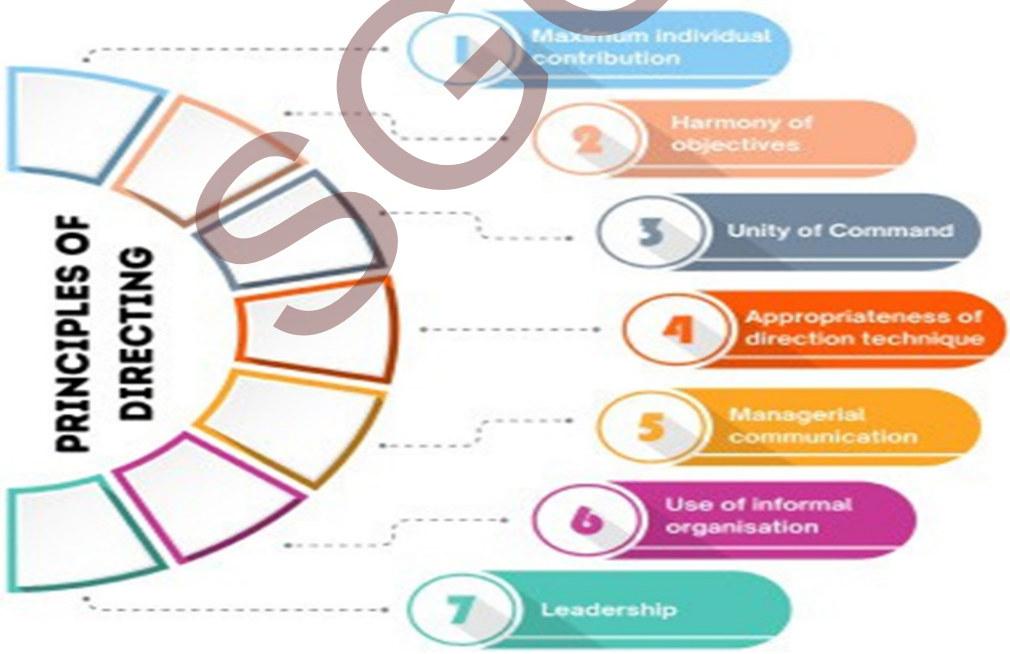


Figure 2.2.5 Principles of Directing

These principles should be considered before instructions are given to make directing more efficient and effective.

Directing is an indispensable managerial function since it directly deals with human behaviour. That is why directing is considered the heart of the administration. Planning and organising function only meet preparations for work, whereas performance and the real work begin with the directing function of management.

Directing plays an important role in creating favourable and healthy conditions within and outside the organisation for enabling employees to develop their attitude to work. In simple words, without directing (guiding and supervising subordinates), nothing would be accomplished in an organisation. It not only gets the work done, but it also develops future managers.

2.2.2.4 Elements of Directing Function

Directing function involves guiding, coaching, instructing, motivating and leading people in an enterprise to realise its organisational objectives. These activities can be categorised into four aspects of directing, also known as traits or elements of directing function. This is as depicted in the following figure and as explained below;



Figure 2.2.6 Elements of Directing

Supervision

It is the process of overseeing the work of subordinates by their superiors. It involves observing and guiding subordinates and their work.

Motivation

It is the process by which superiors inspire and encourage subordinates through social or economic incentives.

Leadership

It is the process by which superiors lead and influences subordinate's work in the desired direction.

Communication

It is the process of conveying information including experiences, opinions etc. from one person to another. It creates a bridge of understanding.

So, directing function should include these 4 elements to be effective. Each of these elements are explained in detail in the coming units.

Case Study: "The Coffee Shop Turnaround"

At Brew & Bean, a popular coffee chain, things weren't going well. The once-busy downtown location had become quiet, with regular customers complaining about slow service and inconsistent drink quality. The staff seemed unhappy - baristas argued during shifts, and three experienced employees had quit in two months. Manager Sarah knew something had to change.

Sarah noticed the problems started when the shop expanded its menu without proper training. New hires were thrown into busy shifts with just a quick demonstration, while veteran staff grew frustrated fixing mistakes. The schedule was chaotic, with some workers getting all the prime weekend shifts while others only got slow weekday mornings. No one seemed to know what was expected of them anymore.

She decided to take action. First, Sarah started having short team meetings before each shift to clearly explain goals for the day ("Let's focus on getting orders out in under 3 minutes") and recognize good work from the previous day. She created simple recipe cards with photos so everyone made drinks the same way.

For the schedule, Sarah implemented a fair rotation system and paired new staff with experienced mentors. She began checking in personally with each employee weekly, listening to their ideas and concerns. When the team suggested adding local pastries to the menu, Sarah worked with the owner to make it happen - and sales increased by 15%.

Within three months, the changes paid off. The shop regained its lively atmosphere, customer complaints dropped by 80%, and the staff stayed longer -

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including two who turned down offers from competing cafes. Most importantly, the team started working together like never before, covering for each other during rushes and even creating a signature drink that became their bestseller.

Discussion Questions:

1. What were the key problems hurting Brew & Bean's performance, and how did better direction help solve them?
2. Why do you think small daily meetings made more difference than the previous approach?
3. How did involving employees in decisions improve both morale and business results?

2.2.3 Controlling

Business always starts from an idea, and later this idea is converted into an action. The success or failure of a business mostly depends on strategic planning. The planning process includes many activities such as finance, human resources, production, marketing, etc. Control has a major role in the proper implementation of plans. All of the activities should be closely monitored to make sure they are carried out as planned. Changes or deviations may adversely affect the entire business and it may become a tragic experience for the investors.

Controlling is the final function of management, which controls and manages the actual performance based on the planned one. The controlling functions are strictly focused on the plan and if there is any deviation from this plan, it will be set right to get the desired results for the organisation. The main purpose of control is to regulate the activities that are included in the plans of the organisation. The success of the plan mostly depends on control.

Controlling is the process of ensuring that the planned activities are producing the anticipated results for the organisation. It is a continuous process of examining the actions that are being taken as planned and taking corrective action against the deviations to conform to the plans as closely as possible. Controlling is mostly used to correct the imperfections and deviations of actual performance from the anticipated plan. In other words, a comparison of actual performance with the planned one to understand the deviations and differences. The management will take corrective actions and measures to resolve the issues and make sure that it does not re-occur. It is required to accomplish the organisational goals effectively.

Controlling is one of the management functions that consists of comparing the actual performance with the desired outcome, so as to ensure the successful achievement of pre-determined objectives of the organisation. Effective control is achieved through setting up standards, measuring actual performance, and taking corrective action in case of deviations from the pre-planned targets.

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2.2.3.1 Controlling - Definition

- ◊ **Knootz and O'Donnel,** "Controlling is the measurement of accomplishment against the standards and the correction of deviation to assure attainment of objectives according to plans".
- ◊ **Henry Fayol,** "Control consists in verifying whether everything occurs in conformity, is with the plans adopted, the instructions issued and principles established. It has for its object to point out weakness and errors in order to rectify them and prevent recurrence"
- ◊ **Robert N Anthony,** "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of an organistaion's objectives"

2.2.3.2 Relationship between Planning and Controlling

Planning and controlling are closely interrelated functions of management. Planning provides the framework by setting objectives, standards, and courses of action, while controlling ensures that actual performance conforms to these plans. Without planning, controlling has no basis for measurement; and without controlling, planning becomes ineffective because deviations cannot be identified and corrected. In essence, planning sets the goals, and controlling ensures their achievement. Thus, both functions are complementary and form a continuous cycle of managerial action.

2.2.3.3 Need of Controlling

Controlling is an indispensable function of management which helps to complete the process timely and efficiently. The need for controlling is to ensure accurate and standard performance. Controlling helps to improve the performance of employees, which contributes to the timely accomplishment of organisational goals. Once the plans become actions, it may be gone through several hurdles to accomplish the targets. Sometimes it may have deviated from the targets, which may be because of the faulty directions. To accomplish the management mission, they should find out what went wrong and what changes are needed in plans and directions to set things right. All the answers to the questions are solved under the controlling function. The following are some of the purposes or needs for control;

i. To measure progress

The organisational goal can be achieved through proper planning and regular follow up. The follow-up helps to quickly identify any deviations from the planned one. Consistency is the one thing that matters most in the pursuit of achieving goals. Consistency and progress can be measured under control and it will help to achieve organisational goals timely and efficiently.

ii. To uncover deviations

Several factors will affect the planning of an organisations. An efficient control mechanism is required to detect the deviations during the implementation of planning

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and help to take timely action to correct the deviations. The following are some of the forces by which an organisation may go astray.

a. Change

The business environment is always dynamic because of the market shift, the emergence of new products, technological innovations, government policies, etc. Proper and regular observations are needed to detect the changes that are affecting the organisational plans. An efficient system can use the changes as a new opportunity for the organisations.

b. Delegation

The delegation of authority is the division of labour and decision-making responsibility to the subordinates by a manager or leader. All employees are responsible for reporting their work to their manager or leader. The manager delegated his authority to his subordinate to accomplish the organisational goals. A proper control system makes sure the completion of work as planned. In the absence of a control system, the manager is unable to understand the progress of the work and identify if there are any deviations from the plan.

c. Mistakes

A mistake is a wrong action or statement proceeding from faulty judgment, inadequate knowledge, or inattention, and it is a part of being human. Employees may make mistakes while accomplishing organisational goals. An efficient manager should have an effective control system to diagnose and rectify the mistakes made by his subordinates; otherwise it will adversely affect the organisation.

d. Complexity

Business complexity is comprised of several interdependent and interconnected stakeholders such as employees, customers, partners, suppliers, regulators, investors, media, competitors, and so on, as well as organisational structure such as divisions, subsidiaries, joint ventures, and so on. In addition, information technology system is a major complex issue for business organisations. To minimize organisational complexity, large organisations are adopting decentralized and geographically scattered operations. Such types of organisations need proper monitoring to maintain quality and profitability. A proper control system helps to reduce the complexity of business.

iii. To indicate corrective action

The control system is required to provide remedial actions for the successful completion of the objectives. The remedial suggestions may include the goal modification, task re-assignment and re-training to the staff. An efficient control system provides corrective remedies to overcome the deficiencies of a plan.

iv. Managerial accountability

One of the proper controls is to delegate the authority of the manager to his subordinate. Once the delegation is over, the manager is responsible for the performance

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of the employees. Therefore, managers are required to ensure that the activities of subordinates are in the desired manner to accomplish the organisational goal. A proper control system can help to measure the activities of the employees.

v. Guide to operations

An efficient control system guides organisations on the right track to achieve their organisational goals. A day-to-day measurement of performance is needed to provide proper guidance if there are any deviations from the plans.

vi. Employee morale

The control system ensures the morale of the employees in the work place. The work environment has its own culture and discipline, which is created for the smooth functioning of the organisation. The control system also protects the rights of employees in the workplace. Both the employees and the organisation properly function with the support of the control system.

vii. Coordination in action

The successful completion of work mostly depends on the coordination of departments and groups in an organisation. A proper control system can do all the coordination and maintain an equilibrium between means and ends. The purpose of coordination is to accomplish the organisational goal according to plans. The unity of direction is maintained by the control system.

2.2.3.4 Advantages of Controlling

i. Realising organisational goals

Controlling function evaluates advancement towards organisational goals and identifies if there are any deviations in the process and recommends corrective actions. Hence, it guides the organisation to be on the desired track.

ii. Judging accuracy of standards

Controlling helps management in evaluating the accuracy and rationality of set standards. A sound controlling system always keeps tabs on the changes in the internal and external environment of an organisation, based on which it reviews and revises the standards.

iii. Efficient resource utilisation

An efficient controlling function aids with the efficient utilisation of resources. Since controlling activities are performed under fixed standards and guidelines, it ensures a proper dispersion and efficient utilisation of organisational resources.

iv. Refining personnel Motivation

Controlling ensures that employees are aware of what an organisation expects of them and what standards they have to meet for their appraisals. This motivates them and aids them in achieving better performance.

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v. Ensures order and discipline

A proper controlling establishes order and discipline in an organisation, as it keeps tabs on everyone's activities, thereby minimising dishonest behaviour among personnel.

vi. Facilitating coordination in action

Controlling provides coordination to all activities in an organisation. As every department and employees are governed by predetermined standards that are designed to achieve organisational objectives, it makes sure that everyone coordinates their activities to reach organisational goals.

Thus, these advantages also state the importance of controlling function in an organisation.

Following are the limitations of implementing controls in an organisation

2.2.3.5 Limitations of Controlling

As with any function, there are certain limitations associated with controlling, let's look into the same. Please bring your attention to the depiction below,

i. Expensive activity

Controlling is a costly affair as it requires a heavy expenditure of time, money and effort. This is why controlling activities are limited to bigger enterprises, as small organisations cannot afford to put an effective control system. Before placing a control system in an organisation, it must be ensured that the cost involved should not out way its benefits.

ii. Difficulty in defining qualitative standards

Controlling is not an efficient function when qualitative standards are in place. That is, the control system losses some of its effectiveness, when standards cannot be defined in quantitative terms, as measuring performance and comparing it qualitatively, is a tough task.

iii. Limited control on external factors

Controlling does not influence external environmental factors of organisations like technological changes, competitions, governmental policies, sociopolitical norms etc.

iv. Opposition from employees

Controlling is mostly viewed as restrictions to the employees and thus mostly resisted by them. For instance, the installation of CCTV cameras around an organisation may be viewed as an invasion of peoples' privacy. This action can sometimes be met with resistance from employees.

Even with these limitations, controlling is the concluding function of management and drives the organisation to stay on the path to reaching its goals.

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2.2.3.6 Steps in control Process

Controlling is a systematic management approach to achieving organisational goals in a timely and efficient manner. Controlling comprises of five steps:

i. Establishment of Standards

ii. Measurement of performance

iii. Comparing performance with standards

iv. Analysis of deviations

v. Taking corrective action

The following are steps involved in controlling;

i. Establishment of standards

The first and foremost step in the control process is to set standards, and they should be considered as a benchmark. This benchmark should represent the criteria against to which actual performance is measured. Control standards are classified into quantitative and qualitative.

a. Quantitative standards

These standards can be measured in physical or monetary terms. These standards are established in areas that can be quantified, such as production, sales, and finance. These standards are set to control the cost of production, make a desired level of profit, and ensure timely completion of goals.

b. Qualitative standards

There are certain concepts which cannot be measured in quantitative terms, which include goodwill, employee morale, motivation, industrial relations, etc. In these cases, the standards are set on the basis of intangible terms.

When preparing standards, it is essential to ensure that they are based on scientific analysis and they should be objective and accurate. Standards should also be flexible and can be modified when necessary. An estimation of the flexibility and deviation range is required for all standards. All standards should be reasonable, applicable and acceptable to the employees. It is important that standards reflect the total operation and that they are updated periodically to keep them relevant.

ii. Measurement of performance

The actual performance is checked by the manager based on the predetermined standards. The accuracy and reliability of measurement are very important. The standards should be measured in quantitative terms only where they are required in quantitative terms. It is better to conduct the measurement during performance, and it helps to improve productivity. Personal observation, sample checking, and performance reporting are some of the techniques used to measure the performance.

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iii. Comparing performance with standards

The analysis of the deviations and changes in the actual performance when compared with the standard performance will be helpful to take corrective actions. The comparison of quantitative standards is much easier and it is easy to identify the changes and deviations. For instance, if the performance of work is measured in units produced in a week, it can be measured against the standard fixed for the week.

iv. Analysis of deviations

While setting up the standards, there should be a prescribed upper limit and lower limit. If the deviation is within the limit, then it is called control by exception. Beyond these exceptions, an analysis should be done by the top management to understand the problems related to changes and corrections, and it should be rectified by the top management. For instance, in every budget, some of the deviations or changes are allowed, but if it requires major changes in the budget, top level management interventions are needed.

v. Take corrective action

The final step of the control process is to take corrective action against the deviations and changes that occurred in the plans. So, this step helps to achieve the organisation's goals in a prescribed manner. Revision of standards, changes in the task, training, providing new techniques are some of the corrective actions in the control process. Managers should ensure that they are at the right time and taking the right action when considering corrective actions.

2.2.3.7 Essentials of an effective control system

The efficient functioning of an organisation mostly depends on an effective control system. The following are essential in an effective control system:

i. Promptness

An effective control system should detect deviations quickly and report them accurately, so that necessary corrective measures may be taken promptly. A prompt appraisal and a management information system are required for this.

ii. Forward looking

In order to build an effective control system, it must be future-oriented, focusing on how future actions can be in line with plans, determine where plans should be modified, and provide data for future plans.

iii. Focus on objectives and needs

When taking corrective action, the control system should concentrate on accomplishing organisational goals. By focusing on objectives and needs, it will be much more effective and efficient to take action.

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iv. Flexibility

Control systems need to be prepared to cope with the changing dimensions of business. They should be adaptable to new developments as well as the failure of the control system itself. This can be introduced by considering alternative plans for a variety of probable scenarios.

v. Objectivity

In order to achieve the best results, performance standards should be as specific and objective as possible, and the control system should be verifiable. Standards should be established and measured objectively with accuracy.

vi. Simplicity

It is important for the control system to be simple to enable managers and employees to use it effectively. Once the stakeholders understand the system properly, they are capable of making an effective control system.

vii. Economical

Cost must be justified within a reasonable range in order to have an effective control system; large organisations can bear higher costs, but small businesses cannot afford the elaborate and expensive controls used by large organisations.

viii. Strategic point control

In some cases, deviations from standards have minor impacts, while in others they can have major impacts. In order to properly select a control system, management should focus its attention on only the exceptional deviations. This is known as the concept of control by exception. Control will be more efficient if the manager concentrates on the exceptional deviations.

ix. Motivating

When a control system is designed to be effective, it should be focused on the employees in order to motivate them to take personal responsibility and provide better results. Direct contact between the employer and employee is also important for a control system to be efficient.

x. Suggestive

As part of an efficient control system, it is not enough to simply indicate deviations, but it must also suggest ways to correct them. The control system should lead to the achievement of its objectives with the least number of unintended consequences.

There are many methods by which controlling is carried out in an organisation. We are taking the example of Garment One showroom.

2.2.3.8 Techniques of Controlling

The techniques of controlling refer to the various methods and approaches used by managers and organisations to monitor, measure, and regulate the activities and

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performance of individuals, teams, and processes within an organisation. These techniques are employed to ensure that plans are being executed effectively, objectives are being achieved, and performance is aligned with desired outcomes.

While selecting the most suitable controlling technique, the organisation must study its Nature of Business, Target Customers or Users and Problems faced by the organisations. Every organisation differs from one another and functions differently. Thus, no such control system is available that applies to all the organisations. There are various techniques available for controlling in the field of management. We can group them under two broad categories as follows:

A. Traditional Techniques

B. Modern Techniques

Among Modern and Traditional techniques, some evaluate only a part of the process, whereas some involve an in-depth analysis. Therefore, a single method is not enough for achieving control over the organisation.

A. Traditional Techniques

As the name suggests, managers have developed and used these techniques for a long period of time. These techniques are still fruitful and used by the firms till date. Following are the most commonly used traditional techniques for controlling.

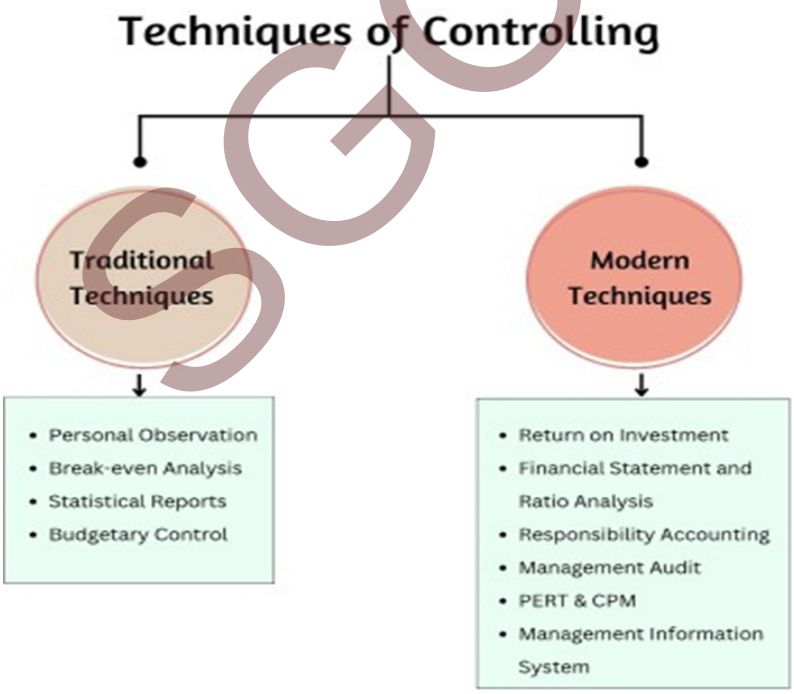


Figure 2.2.9: Techniques of Controlling

i. Personal Observation

ii. Break-even Analysis

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iii. Statistical Control Reports

iv. Budgetary Control

Personal Observation

Personal observation is a traditional technique of controlling that involves direct monitoring and assessment of individuals, processes, or activities by managers or supervisors. It relies on firsthand observation and judgment to evaluate performance and ensure adherence to established standards or expectations. In this technique, managers physically observe employees or processes in action to gather information and assess performance. They may spend time to interact with employees and closely observe work processes to gain insights into the quality, efficiency, and effectiveness of work being performed. It is the oldest traditional method available to perform the controlling function. Here, the manager personally observes the employees/workers at the workplace.

Personal observation allows managers to provide immediate feedback to employees. They can address performance issues, recognise achievements, and offer guidance on the spot, which can lead to timely adjustments and improvements.

Personal observation fosters face-to-face interactions between managers and employees. This direct engagement promotes open communication, builds rapport, and strengthens the working relationship, leading to increased trust and collaboration.

Whereas Personal observation is susceptible to the managers own biases, interpretations, and subjective opinions. The assessment of performance may be influenced by personal preferences or preconceived notions, leading to unfair evaluations. It is also subject to time and resource constraints

Break-even Analysis

This control technique depicts the relationship between Cost and Volume at different output levels. It is also known as the Cost, Volume and Profit analysis. It predicts the profits and losses in response to the changes in output levels. The point where the cost price equals the selling price is the Break-even point.

Break Even Point Formula:

Break Even Point = Fixed cost / (Price - Variable Cost)

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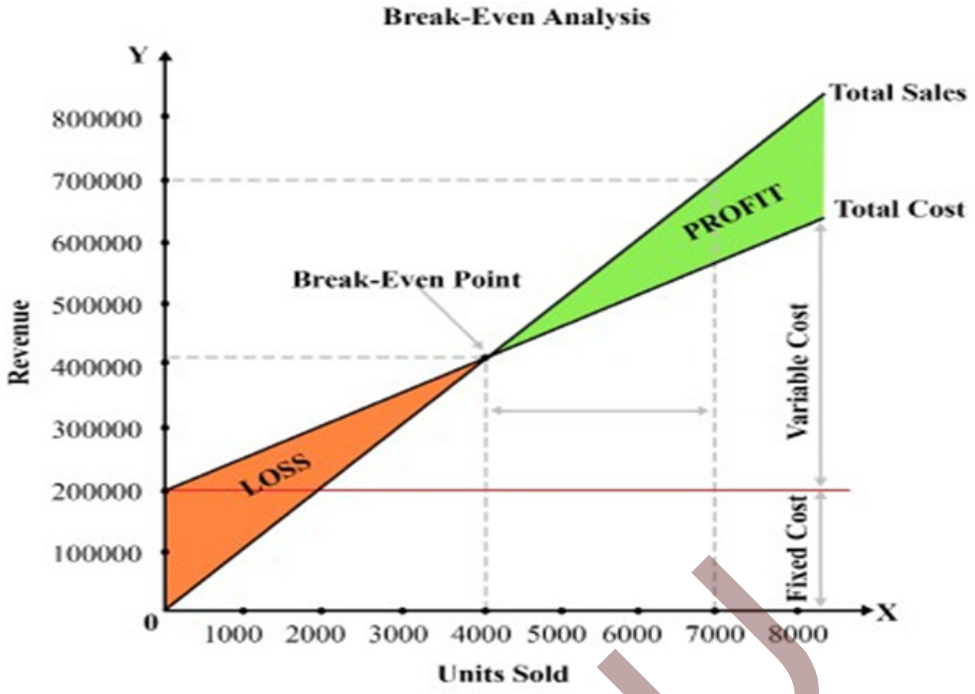


Figure 2.2.10 Break-Even Analysis

Break-even point is that point of sale where the revenue generated by the company is equal to the total cost incurred by it. It is a position where the organisation is at a no-profit no loss situation. To understand the concept of break-even point in detail, let us have a look at the following graph of break-even analysis.

With the help of the above diagram, we can identify the break-even point where the company can meet its expenses from the sales revenue it generates.

There are 5 components of Break Even Analysis. They are: fixed costs, variable costs, revenue, the margin of safety and the break-even point. Fixed costs entails expenses that do not vary with changes in the level of production or sales. However, variable costs do change with the level of production or sales. Revenue represents total income generated from the sale of goods or services by an individual or business. The margin of safety is the difference between revenue and variable costs. The final component of break-even analysis, the break-even point, is the level of sales where total revenue equals total costs. At this point no profit is made and no loss is incurred.

Break-even analysis is widely used by the companies for determining the appropriate price of the products or services such that the profit increases and the cost incurred are recovered.

Break-even analysis helps in better decision making. It even helps the company to cover up the fixed cost of the project.

One of the demerit is Break-Even analysis considers only cost and output for profit determination when management skills, market conditions, technological factors, etc. also affect the business.

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Also break-even analysis is not suitable for determining long-term profits due to the assumption of the linear relationship between costs, revenue and output since many other factors affect the business operations in the long run.

Statistical Control Reports

In the realm of management, the use of statistical reports as a controlling technique involves the manager's proactive gathering of information to assess and evaluate performance across various functional areas within an organisation. These reports serve as systematic tools for measuring actual performance against predetermined standards. The information collected becomes a valuable resource for making comparisons, detecting deviations, and drawing meaningful insights. To achieve this, managers rely on the analysis of numerical data using various statistical measures such as averages, percentages, correlations, ratios, and trend analysis.

By employing statistical techniques, managers can derive crucial insights from the data, allowing them to better understand the organisation's performance. These insights are often presented in visual formats such as charts, graphs, and tables, which provide a clear and concise representation of the data. This visualisation facilitates comprehensive understanding and helps managers identify areas requiring corrective action.

Statistical control reports are widely applied in several areas of managerial control, particularly in cost control and quality control.

a. Statistical Reports in Cost Control

Cost control involves ensuring that organisational expenses remain within planned limits. Statistical reports assist managers in comparing budgeted costs with actual costs through tools such as variance analysis, cost ratios, and percentage comparisons.

For example, if the standard cost of producing a product is ₹500 per unit but the actual cost rises to ₹550, statistical analysis helps identify the source of deviation—whether due to increased material costs, labour inefficiency, or wastage. By analysing trends and cost ratios over time, managers can take corrective measures such as reducing waste, improving procurement efficiency, or revising production methods.

Thus, statistical reports support effective financial discipline and cost efficiency.

b. Statistical Reports in Quality Control

Quality control focuses on maintaining product or service standards. Statistical techniques such as defect rate analysis, percentage of rejections, and control charts help managers monitor production processes.

For instance, if an organisation sets an acceptable defect rate of 2% but actual data indicates a 5% defect rate, statistical reports immediately highlight the deviation. Managers can then investigate process issues, machine efficiency, or workforce performance to restore quality standards.

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Statistical quality control ensures consistency, reduces rework and wastage, and enhances customer satisfaction.

The application of statistical reports as a controlling technique is widely regarded as one of the most objective and reliable methods for analysing organisational performance. By utilising statistical measures, managers gain a deeper understanding of performance trends and patterns. Ultimately, statistical control reports serve as a crucial decision-making tool, enabling managers to take informed actions that promote efficiency, effectiveness, and organisational growth.

One of the main advantages of statistical reports is that they support forecasting, as past trends can be analysed to predict future performance.

Budgetary Control

Budgetary Control is an important traditional control technique used in planning and controlling functions. It covers the planning of the essential operations followed by its comparisons with the actual performance. Budgetary control is a tool which is used to accomplish the management objectives established in the form of budgets. The actual results are to be compared with the standard figures of budgets and take corrective actions if there are any changes or variations from the standards. Budgets are prepared on the basis of the policies of the organisations. On the other hand, budgetary control is to monitor such policies efficiently. Budgets are prepared for a particular period, but budgetary control is a continuous process. This means that the beginning of budgetary control occurs at the conclusion of budget preparation.

According to G.R Terry. "Budgetary controlling is process of finding out what is being done and comparing their results with the corresponding budget data in order to approve accomplishment or to remedy differences by either adjusting the budget estimates or correcting the cause of the difference"

Objectives of budgetary control

The purpose of using budgetary control is to help the management in controlling the operations systematically. The proper coordination and communication are necessary to implement a plan fruitfully. These coordination and communication are possible with the help of an efficient budgetary control system. The following are the main objectives of budgetary control:

a. Control the actual income and expenditure within the purview of the budgeted limit.

b. Define the goals and objectives of the organisation for a stipulated period.

c. Coordinating the decentralised work of the organisation.

d. It helps to evaluate the performance of the organisation department-wise.

e. A useful tool for policy determination with top management.

f. Estimate and forecast the financial position of the company.

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g. Improving employee productivity and lowering production costs at every level.

h. Estimating the capital expenditure.

i. Detecting the variations and deviations from the planned objectives and taking corrective remedies.

The budgeting process includes comparing and evaluating the actual and budgeted performances. The steps in budgeting broadly cover the following:

i. Creating standards by bifurcating the overall business goals into departmental targets.

ii. Comparison of predefined Budget/Standards with the actual performance.

iii. Calculate the logical deviations from the plan and take corrective measures.

Budgetary control facilitates control over day-to-day activities. Also, it assesses the need for resources and manpower to achieve business objectives. It might be possible that the formulated budget can be inaccurate and expensive. The common types of budgets prepared by organisations are Cash Budget, Sale Budget, Production Budget, Capital Budget and Material Budget.

B. Modern Techniques

Modern control techniques are additions to the management literature. These are of recent origin and provide innovative methods for organisational evaluation and control.

i. Return on Investment

ii. Financial Statement and Ratio Analysis

iii. Responsibility Accounting

iv. Management Audit

v. PERT & CPM

vi. Management Information System

Return on Investment (ROI)

Return on Investment (ROI) is a controlling technique used to evaluate the profitability or financial success of an investment or business decision. It measures the amount of return or profit generated from an investment relative to its cost.

Here's a simplified explanation of ROI using a common example:

Imagine you have a Lime juice shop. You decide to invest ₹100 in buying lemons, sugar, cups, and other supplies. After a day of selling lime juice, you make a total revenue of ₹150. To calculate ROI, you need to subtract the initial investment from the total revenue and then divide it by the initial investment. In this case:

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Total revenue = ₹150

Initial investment = ₹100

ROI = (Total revenue - Initial investment) / Initial investment

ROI = (₹150 - ₹100) / ₹100

ROI = ₹50 / ₹100

ROI = 0.5 or 50%

So, the ROI for your lemonade stand investment is 50%. This means that for every rupee you invested, you earned an additional 50 paise in profit.

ROI helps you determine whether an investment or business decision is worth pursuing. If the ROI is positive (greater than 0), it indicates that the investment is generating more money than it cost, which is generally considered a good outcome. On the other hand, if the ROI is negative (less than 0), it means the investment is losing money and may not be a wise choice.

By using ROI as a controlling technique, businesses can assess the financial performance of different projects or investments and make informed decisions about where to allocate their resources. It allows them to prioritise investments that offer the highest returns and helps ensure the efficient and effective use of resources.

Financial Statement and Ratio Analysis

Financial statements and ratio analysis are valuable tools for monitoring and controlling a company's financial performance. They help in evaluating profitability, liquidity, solvency, and efficiency, enabling better decision-making and ensuring the company's financial well-being.

a. Financial Statements

Financial statements are documents that provide a summary of a company's financial performance and position. They are essential tools for understanding the financial health of a business. The three main financial statements are:

i. Income Statement (also known as the Profit and Loss Statement): This statement shows the company's revenues, expenses, and net income or loss over a specific period (e.g., a month, quarter, or year). It helps assess whether the company is making a profit or facing a loss.

ii. Balance Sheet: This statement provides a snapshot of the company's assets, liabilities, and shareholders' equity at a specific point in time. It shows what the company owns (assets), what it owes (liabilities), and the shareholders' investment in the business (equity).

iii. Cash Flow Statement: This statement tracks the cash inflows and outflows of a company during a specific period. It shows how cash is generated and used in

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operations, investments, and financing activities. It helps assess the company's ability to generate cash and meet its financial obligations.

b. Ratio Analysis

Ratio analysis involves calculating and interpreting financial ratios to evaluate a company's performance, financial health, and efficiency. Ratios are mathematical relationships between different numbers on the financial statements. Here are some commonly used ratios:

i. Profitability Ratios: These ratios assess the company's ability to generate profits and include metrics such as gross profit margin, operating profit margin, and net profit margin.

ii. Liquidity Ratios: These ratios measure the company's ability to meet short term obligations and include metrics such as the current ratio and the quick ratio.

iii. Solvency Ratios: These ratios evaluate the company's long term financial stability and its ability to repay its debts. Examples include the debt-to-equity ratio and interest coverage ratio.

iv. Efficiency Ratios: These ratios assess how effectively the company manages its assets and liabilities. Examples include inventory turnover ratio and accounts receivable turnover ratio. Ratio analysis helps identify trends, strengths, and weaknesses in a company's financial performance. By comparing ratios over time or benchmarking them against industry standards, it provides insights into areas that require attention or improvement. It allows managers and investors to make informed decisions about the company's financial health and prospects. It helps in controlling the finances of the organisation by calculating different Ratios. For this purpose, data is accumulated from the firms' financial statements.

Responsibility Accounting

Responsibility accounting is a controlling technique used to measure and evaluate the performance of different departments, individuals, or cost centers within an organisation. It involves breaking down the organisation's activities into smaller segments or responsibility centers and holding each segment accountable for its performance.

For example, imagine you are part of a team working in a manufacturing company that produces bicycles. The company has different departments, such as production, marketing, and finance. Each department has its own set of responsibilities and contributes to the overall success of the company. Responsibility accounting involves assigning specific responsibilities to each department and measuring their performance based on those responsibilities. The production department is responsible for

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manufacturing bicycles. Its performance may be evaluated based on metrics like the number of bicycles produced, production efficiency, and quality control. The marketing department is responsible for promoting and selling the bicycles. Its performance may be evaluated based on metrics like sales revenue, market share, customer satisfaction, and advertising effectiveness. The finance department is responsible for managing the company's financial resources. Its performance may be evaluated based on metrics like cost control, budget adherence, and financial reporting accuracy.

By assigning specific responsibilities and evaluating performance metrics for each department, responsibility accounting allows the company to identify areas of strength and areas that need improvement. It helps managers understand which departments are performing well and which ones may require additional support or corrective actions. Responsibility accounting also facilitates better decision-making and resource allocation within the organisation. It helps managers determine how to allocate budgets, set performance targets, and reward employees based on their contribution to the assigned responsibilities. As a conclusion, responsibility accounting enables organisations to effectively manage and control their operations by holding individual departments accountable for their performance. It helps in improving efficiency, identifying areas for improvement, and aligning departmental goals with the overall objectives of the organisation.

Management Audit

Management audit is a controlling technique used to evaluate and assess the effectiveness and efficiency of management practices within an organisation. It involves a systematic review and examination of managerial processes, systems, and decision-making to identify areas for improvement and ensure that the organisation's goals are being achieved.

Visualise that you are the owner of a retail store. You want to ensure that your managers are performing their roles effectively and efficiently. To conduct a management audit, you would assess various aspects of their work, such as:

i. Planning: You would evaluate how well managers are setting objectives, creating strategies, and developing plans to achieve the store's goals. This would involve assessing whether the plans are realistic, comprehensive, and aligned with the overall business strategy.

ii. Organisational Structure: You would examine the structure of the organisation and how managerial responsibilities are assigned and delegated. This would include reviewing the hierarchy, reporting lines, and spans of control to ensure that they promote efficiency, clear communication, and effective decision-making.

iii. Decision Making: You would assess the decision-making processes used by managers. This would involve evaluating whether decisions are based on reliable information, consider the potential risks and benefits, and involve appropriate consultation or analysis.

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iv. Leadership and Communication: You would evaluate how managers lead and communicate with their teams. This would include reviewing their ability to motivate employees, provide clear instructions, delegate tasks, and foster a positive work environment.

v. Performance Management: You would examine how managers monitor and evaluate employee performance. This would involve assessing the effectiveness of performance appraisal systems, goal setting processes, and feedback mechanisms used by managers.

vi. Resource Management: You would review how managers allocate and utilise resources such as human resources, finances, and materials. This would include assessing whether resources are allocated efficiently, budgets are followed, and there is effective utilisation of available resources.

By conducting a management audit, you can identify areas of strengths and weaknesses in managerial practices. It helps you ensure that managers are working effectively towards achieving organisational goals, identify areas for improvement, and implement corrective actions or changes to enhance managerial performance. Management audits are typically conducted by internal or external auditors who are independent from the management team. The audit findings and recommendations provide valuable insights for improving management practices, enhancing organisational performance, and aligning managerial efforts with the organisation's strategic objectives. In short, management audit is a valuable controlling technique that helps assess and improve managerial practices within an organisation. It ensures that management processes are effective, efficient, and aligned with the organisation's goals, ultimately contributing to the overall success and performance of the organisation.

PERT & CPM

Program Evaluation and Review Technique (PERT) and Critical Path Method (CPM) are two related techniques used in project management to plan, schedule, and control complex projects. They help identify the critical tasks and determine the most efficient sequence of activities to ensure the project is completed on time.

Here's a simplified explanation of PERT and CPM using a practical example:

Suppose you are organising a music concert. There are multiple tasks involved, such as booking the venue, hiring performers, setting up sound systems, and promoting the event. PERT and CPM can help you plan and manage these tasks effectively.

i. Program Evaluation and Review Technique (PERT)

PERT focuses on estimating the time required to complete each task in a project. It helps determine the project's timeline by considering the optimistic, most likely, and pessimistic estimates for each task. For example, when booking the venue, you might estimate that it could take anywhere from 3 to 5 days, with 4 days being the most likely estimate. PERT uses these estimates to calculate the expected time for each task and the overall project. PERT also considers the dependencies between tasks. Some tasks

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can only start after others are completed, while some can happen simultaneously. By identifying these dependencies, PERT helps you create a network diagram that shows the sequence of tasks and the critical path.

ii. Critical Path Method (CPM)

CPM focuses on identifying the critical path, which is the sequence of tasks that must be completed on time for the entire project to be completed on schedule. Continuing with the music concert example, let's say you have identified tasks like booking the venue, hiring performers, setting up sound systems, and promoting the event. Each task has its own duration estimate and dependencies. CPM helps you analyse these tasks and determine the critical path, which consists of tasks that have no float or slack time. In other words, any delay in the critical path tasks will directly impact the project's overall timeline. By identifying the critical path, you can prioritise the tasks that are most crucial to the project's success. You can allocate resources, monitor progress, and focus your efforts on ensuring that tasks on the critical path are completed as planned.

In conclusion, PERT and CPM help you effectively plan, schedule, and control projects by considering task durations, dependencies, and the critical path. By using these techniques, you can identify potential bottlenecks, allocate resources efficiently, and monitor progress to ensure the project stays on track and is completed within the desired timeframe.

The following diagram presents the music concert example using PERT and CPM. Each activity is shown with its estimated duration in days, along with the sequence of events and dependencies. The highlighted path represents the *critical path*, which determines the minimum time required to complete the project.

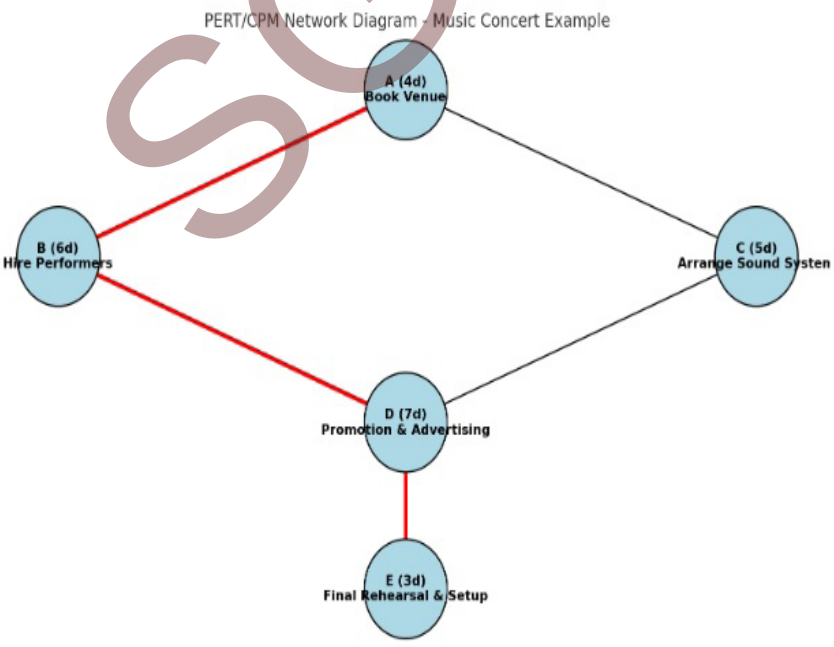


Figure 2.2.12: PERT/CPM Network Diagram

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Management Information System

Management Information System (MIS) is a technique used for controlling and managing organisations effectively. It involves the use of information technology and systems to collect, process, store, and distribute data and information for decision-making and control purposes. MIS provides valuable information to managers at various levels to monitor, evaluate, and control the organisation's activities. The key aspects of MIS are as follows:

i. Data Collection: MIS collects data from various sources within the organisation, such as sales transactions, production figures, employee records, and financial data. This data is gathered using manual methods or automated systems like point-of-sale terminals, sensors, or online forms.

ii. Data Processing: The collected data is processed and transformed into meaningful information through various techniques, such as sorting, filtering, summarising, and calculations. MIS uses software applications, databases, and algorithms to analyse and transform raw data into useful insights.

iii. Information Storage: Processed information is stored in databases or other information storage systems. These databases are organised in a structured manner, making it easy to retrieve and update information whenever needed. Information can be stored in various formats, including text, numbers, images, or multimedia.

iv. Information Retrieval: MIS allows managers to access the stored information when required. They can retrieve relevant data and reports using user-friendly interfaces or dashboards. Information retrieval is quick and efficient, enabling managers to access real-time or historical data for monitoring and control purposes.

v. Information Presentation: MIS presents information in a user-friendly and understandable format, such as charts, graphs, tables, or reports. This visual representation helps managers interpret and analyse the data easily. Clear and concise information presentation supports effective decision-making and control.

vi. Performance Monitoring: MIS enables managers to monitor the performance of different departments, processes, or projects. Key performance indicators (KPIs) are identified and tracked to assess the organisation's progress towards its goals. Managers can compare actual performance against targets and identify areas requiring attention or improvement.

vii. Exception Reporting: MIS highlights exceptions or deviations from expected performance levels. It automatically generates alerts or reports when certain predefined thresholds or criteria are exceeded. Exception reporting helps managers quickly identify problems or irregularities that require immediate attention and corrective actions.

viii. Decision Support: MIS provides decision support tools to assist managers in making informed decisions. It offers analytical capabilities, simulation models,

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forecasting techniques, and scenario analysis to evaluate different options and their potential outcomes. Decision support tools enhance control by facilitating data-driven decision making.

ix. Integration and Communication: MIS integrates data and information from various departments or functions within the organisation, promoting seamless communication and collaboration. It ensures that relevant information is shared across different levels and enables effective coordination for control purposes.

x. Security and Privacy: MIS includes measures to ensure the security and privacy of data and information. Access controls, encryption, backup systems, and data protection protocols are implemented to safeguard sensitive information from unauthorised access or breaches.

In summary, Management Information System (MIS) is a technique used for controlling organisations by collecting, processing, storing, and distributing data and information. It helps managers monitor performance, make informed decisions, and take corrective actions when necessary. MIS improves control by providing timely, accurate, and meaningful information to support effective management and decision-making processes.

Case Study: The Quality Crisis at AquaPure Bottling Plant

AquaPure Mineral Water Company had been operating successfully for fifteen years when their flagship bottling plant suddenly began experiencing serious quality issues. The management started receiving increasing complaints from distributors about inconsistent fill levels in their one-liter bottles - some contained significantly less water while others overflowed during transport. This wasn't just causing customer dissatisfaction; the financial losses from product waste and refunds were mounting to nearly twenty lakh rupees each month.

The plant manager, Mr. Sharma, initially responded in the traditional way - holding staff meetings to emphasize quality standards and increasing random inspections. However, the problems persisted in unpredictable patterns. After careful observation, the supervisors noticed the issues tended to worsen during three specific situations: when new seasonal workers joined the production line, following routine machine maintenance, and consistently during the afternoon shift change.

Determined to solve this systematically, Mr. Sharma implemented several practical measures. He first introduced a simple but effective visual monitoring system where workers could immediately see if bottles were being filled within the strict 995ml to 1005ml range. Clear color indicators showed whether production was on target (green), slightly off (yellow), or unacceptable (red). This instant feedback allowed workers to correct issues in real-time rather than discovering problems hours later.

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For the temporary workers who joined during peak seasons, Mr. Sharma focused on making the quality standards absolutely clear and easy to follow. Rather than overwhelming them with lengthy training sessions, he emphasized just three critical rules: checking machine calibration every half hour, never bypassing the automatic shut-off mechanism, and flagging any questionable bottles for supervisor review.

The most significant improvement came unexpectedly from the production line workers themselves. During one of the regular problem-solving sessions Mr. Sharma had started holding, a veteran line worker named Ramesh suggested adding a simple visual inspection step using flashlights to detect nearly invisible micro-leaks in bottle seals. This low-cost solution alone ended up saving the company over two lakh rupees monthly in previously undetected product loss.

Within three months of implementing these changes, AquaPure saw dramatic improvements. Product waste decreased by nearly seventy percent, the afternoon shift quality issues disappeared completely after adjusting break schedules, and customer complaints dropped to their lowest level in years. Perhaps most importantly, the workers themselves became more engaged in maintaining quality standards, with several teams developing their own small innovations to improve the process further.

Questions:

1. Why do you think the visual monitoring system proved more effective than the previous inspection methods?
2. How did simplifying the rules for temporary workers contribute to solving the quality issues?
3. What does this case show us about the importance of including frontline workers in quality control solutions?

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Summarised Overview

Staffing establishes the foundation for organisational success through systematic workforce planning and development. The process begins with thorough job analysis to define roles and required competencies, followed by strategic recruitment from both internal and external sources. Selection incorporates multiple assessment methods to identify the most suitable candidates, while comprehensive training programs equip employees with necessary skills. Regular performance appraisals complete the cycle by evaluating contributions and identifying development needs.

Directing translates plans into action through effective leadership and communication. Managers guide teams by adapting their leadership approach to different situations, motivating employees through recognition and growth opportunities, and maintaining clear communication channels. Proper supervision ensures work progresses as intended while fostering a positive work environment where employees feel supported and valued.

Controlling maintains organisational standards through continuous performance monitoring. Establishing clear benchmarks enables measurement against objectives, with timely identification of deviations allowing for corrective adjustments. Various control techniques, from direct observation to systematic reporting, help balance quality maintenance with operational flexibility. When implemented effectively, controlling processes not only address current issues but also provide valuable insights for future planning.

These interconnected functions form the operational core of management, where staffing builds capability, directing channels effort, and controlling ensures results. Real-world applications demonstrate how organisations across industries rely on this framework to maintain efficiency, adapt to challenges, and achieve sustainable performance. The case studies illustrate practical implementation, showing how theoretical concepts translate into tangible management practices that drive organisational success.

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Objective Questions

1. How does a well-defined job analysis contribute to successful staffing in an organisation?

2. What are the key differences between autocratic and participative leadership styles in directing employees?

3. Why is performance appraisal considered a crucial part of the staffing process?

4. How can effective communication improve the directing function in a workplace?

5. What are the potential consequences for an organisation that lacks proper controlling mechanisms?

Assignments

1. Compare and contrast internal and external recruitment methods, discussing the advantages and limitations of each approach.

2. Analyze a real or hypothetical situation where poor directing led to organisational problems, and suggest corrective measures.

3. Design a simple control system for a small business, explaining how it would help maintain quality standards.

4. Evaluate the relationship between staffing and directing functions through a case study example.

5. Develop a training program for new employees in a retail store, outlining key components and expected outcomes.

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3
BLOCK

FOUNDATION OF OB

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Unit 1

Introduction to OB

Learning Outcomes

After completing this unit, the learner will,

- develop an in-depth knowledge of the concept of organizational behaviour
- identify key challenges and opportunities in managing people at work
- analyse the contributing principles of OB
- comprehend the various models of OB and their relevance

Prerequisite

Today's organisations operate in an environment of global competition, a diverse and increasingly advanced workforce, ever-evolving technology, and rapid change. In such shifting environments, understanding how people behave is vital to an organisation's success. This is where organisational behaviour (OB) comes into play. OB is the study of individual and group behaviour within work settings and its influence on the effectiveness, culture, and performance of the organisation.

The knowledge of OB assists managers in understanding why people act the way they do at work and how to manage those behaviours to achieve organisational goals. In today's workplace, where hybrid models, diverse teams, and rapid innovation are the norm, OB equips future managers and leaders with the tools to adapt, lead, and create a positive organisational culture.

Moreover, OB helps bridge the gap between people and processes, allowing organisations to align human potential with business objectives. It enables decision-makers to design systems and policies that not only boost productivity but

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also promote employee well-being, job satisfaction, and long-term engagement. As organisations evolve, the relevance of OB only deepens, making it an indispensable area of study in business education and practice.

Keywords

Interdisciplinary approach, autocratic model, custodial model, humanistic approach, Organisational behaviour

"You don't build a business—you build people, and then people build the business." — **Zig Ziglar.**

Discussion

3.1.1 Meaning

In today's fast-moving, competitive world, all types of organisations—whether business corporations, educational institutions, government departments, or non-profit entities thrive with one central force at their core: people. Consider a business or industrial organisation; it usually operates on five major components (men, money, machinery, materials and management), commonly known as the 5 Ms, of which the Management is not only a function but a human force that plans, coordinates and controls the other 4 Ms. Obviously, in any organisation, the way people behave, interact, and perform within the system plays a decisive role in determining whether the organisation succeeds or fails. This is where Organisational Behaviour (OB) becomes an essential thought. An organisation's success or failure depends on how its people behave, relate to one another, and perform their roles. Organisational Behaviour provides insight into understanding, managing and leading this vital aspect of organisations.

Human behaviour is highly unpredictable. For example, we may notice that under certain conditions, one employee remains calm when pressure mounts, while another becomes impulsive; some teams function well together, while others are constantly at odds. In today's competitive world, these questions are no longer philosophical but strategic and have been of interest over the past decade. Understanding why people behave the way they do in the workplace and what influences their behaviour in an organisational context cannot be managed merely by issuing orders and expecting results. Organisational Behaviour (OB) is the study of human behaviour within organisations, including individual attitudes, group dynamics, leadership, organisational culture, conflict, and other related aspects.

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3.1.1.1Organisational Behaviour – Definitions

Organisational Behaviour (OB) is the study of human behaviour within organisational settings, examining how individuals, groups, and structures influence workplace dynamics. A few key definitions related to OB are provided here.

Stephen P. Robbins - "A field of study that investigates the impact of individuals, groups and structures on behaviour within organisations for the purpose of applying such knowledge towards improving an Organisation's effectiveness."

Luthans - "Organisational behaviour can be defined as the understanding, prediction, and control of human behaviour in organisations."

Davis and Newstrom - "The study and application of knowledge of how people act or behave within an organisation. It is a human tool for human benefit. It applies broadly to the behaviour of people in all types of organisations such as business, government, school and service organisations".

To sum up, OB is concerned with the study of how and why people act in organisations, as well as how their actions affect the organisation's performance.

3.1.2 Nature of OB

Organization Behaviour has emerged as a separate and distinct field of study. The nature it has acquired by now is identified as follows:

1. A separate field of study and not a discipline only:- OB has a multidisciplinary origin and is thus not based on a specific theoretical background.
2. An interdisciplinary approach: OB is essentially an interdisciplinary approach to studying human behaviour at work. It attempts to integrate relevant knowledge from related disciplines, such as psychology, sociology, and anthropology, to make it applicable for studying and analysing OB.
3. An Applied Science: OB suggests how findings from applied research can be used.
4. A Normative Science: While positive science discusses only cause-and-effect relationships, OB prescribes how the findings of applied research can be applied to socially accepted organisational goals.
5. A Humanistic and Optimistic Approach: OB applies a humanistic approach towards people working in the organisation. It treats people as thinking, feeling human beings.
6. Total system approach: The system approach integrates all the variables affecting organisational functioning. Man's socio–psychological framework is a complex one, and the systems approach in OB seeks to understand this complexity and find appropriate solutions.

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3.1.3 Scope of OB

As discussed before, OB is the study of human behaviour in organisations at work. The scope of OB involves three levels of behaviour in organisations: individuals, groups and structure/organisation. Let us briefly examine the key aspects covered by each of these three levels.

- ◊ **Individuals:** Organisations encompass individuals within groups. Each individual is distinct from others in various ways, so the study of individuals encompasses concepts such as personality, perception, attitudes, values, job satisfaction, learning and motivation.
- ◊ **Group Level Behaviour:** It encompass various aspects, including group dynamics, group conflicts, communication, leadership, power, and politics, among others.
- ◊ **Organisation Level Behaviour:** This includes aspects such as formation of organisational structure, culture, change and development.

In nutshell, Ob studies how organizations influence people and how people influence organizations.

3.1.4 Determinants of OB

The key elements or determinants of organisational behaviour are as follows:

- ◊ People
- ◊ Environment
- ◊ Structure
- ◊ Technology

1. **People**: People are at the heart of every organization—they run it, shape it, and bring it to life. Every individual within an organization has personal goals and motivations. It is essential for organizations to understand these individual goals to motivate employees effectively and align their efforts with organizational objectives. Employees often need to balance their personal and professional lives. Hence, OB focuses on studying the individual as a whole person, not just as a worker. It recognizes that every behaviour has a cause, often rooted in deeper personal, social, or emotional factors. A good manager, therefore, should treat employees with respect and human dignity, rather than viewing them merely as tools for economic productivity. Understanding people—how they think, feel, and act—is the foundation of effective organizational behaviour.

2. **Environment**: The environment refers to all the external and internal factors that influence the behaviour of people within an organization. It shapes how individuals and groups interact, make decisions, and perform their roles. The environment thus affects people by influencing their attitudes, working conditions etc. Thus, the organization's internal behaviour is often a response to its surrounding environment.

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3. **Structure**: Structure refers to the formal aspects of work, roles, authority, and communication within an organisation. Structure outlines how the work is allocated, to whom one reports and by what method decisions are made. The structure of the organization has a major impact on the behaviour of people and teams. It is the environment in which people operate. For instance, in a tall hierarchical structure (there are several levels of management), decision-making will be slow, and communication could be formal. In contrast, in a flat structure (with fewer levels), speedy decision-making, open communication, and employee empowerment can be promoted.

4. **Technology**: Technology refers to the tools, machines, systems, and methods used by an organization to manufacture goods or provide services. It encompasses everything from simple office equipment to sophisticated automation, computer software, and communications networks. Technology influences both how work is performed and how individuals interact in the workplace. For instance, the utilisation of computers, the internet, and cloud-based software enables employees to work from home or collaborate across locations. Managers must help employees adapt to technological changes by providing proper training, promoting innovation, and minimising resistance.

3.1.5 Challenges of OB

◊ **Managing Workforce Diversity:** As employees hail from diverse cultural, social, and educational backgrounds, managers must create a culture of acceptance and respect for differences.

◊ **Adjusting to Technological Change:** There are quick developments in technology that demand ongoing learning and adaptation. Managers need to empower employees to adapt to change and minimise resistance.

◊ **Dealing with Organizational Change and Uncertainty:** Periodic changes in structure, leadership, or procedures might lead to instability. Managers have to lead employees through change through communication and support.

◊ **Enhancing Employee Engagement and Motivation:** Maintaining employee engagement in a rapidly evolving and competitive work environment remains a persistent challenge, driven by shifting expectations of work-life balance**.**

◊ **Resolving Ethical and Conflict Choices:** Conflict among individuals and ethical decision-making must be handled by managers, who weigh organizational objectives against employees' well-being.

◊ **Managing Remote and Hybrid Workforces:** As more workers are remotely employed, maintaining productivity, teamwork, and team morale across distances and time zones has become increasingly challenging.

◊ **Maintaining Effective Communication:** In a multi-layered and frequently global workforce, it is crucial to maintain open, transparent, and two-way communication, but it is challenging to accomplish due to variations in language, perception, and the digital landscape.

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3.1.6 Contributing Disciplines to OB

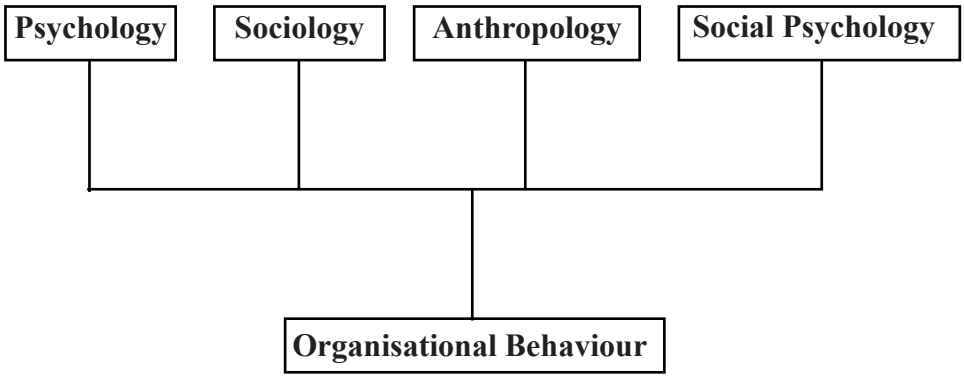


Figure:3.1

OB is an applied behavioural science. It has drawn from a number of other applied interdisciplinary behavioural disciplines of psychology, sociology and anthropology. The above figure presents an overview of the major contributions to the study of OB. A brief description of each is given below:

1. **Psychology**: Psychology has had the most significant influence on the field of OB. It is the scientific study of human behaviour, with a strong focus on understanding and predicting individual actions. Psychology emphasizes intra-personal dynamics—how individuals think, feel, and behave. In OB, this discipline contributes to our understanding of various individual-level aspects such as personality, perception, attitudes, opinions, learning, and motivation.

2. **Sociology**: Sociology brings a broader perspective by examining how people interact in groups and how social systems influence behaviour. In the context of OB, sociology helps us understand interpersonal dynamics, group behaviour, and the structure of organizations. Sociology contributes significantly to areas such as: group dynamics, formation of groups, communication, formal and informal organisations and the like. Through the lens of sociology, OB explores how social relationships and group processes impact employee performance, satisfaction, and overall organizational effectiveness. It helps managers design better teams, improve communication, and manage change in a more inclusive and collaborative way.

3. **Anthropology:** Anthropology is the study of human societies, cultures and their development over time. In OB, anthropology offers valuable insights into how culture, values, and customs shape human behaviour within organizations, especially in an increasingly global and diverse workplace. Anthropology contributes to OB in the following key areas: Organizational culture, comparative analysis, workplace diversity, adaptation to change. By applying anthropological concepts, managers and leaders can become more culturally sensitive and adaptive. This helps in fostering inclusive environments, improving communication across cultures, and leading global teams more effectively.

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4. **Other Social Sciences:** In addition to psychology, sociology, and anthropology, several other social science disciplines have enriched our understanding of Organizational Behaviour. These include economics, political science and history.

◊ **Political science** contributes to OB through its focus on power, authority, conflict, and politics within organizations. It helps explain how influence operates in the workplace, how decisions are made, and how coalitions and internal politics affect organizational functioning.

◊ **History** offers valuable lessons by analysing the lives of great leaders, their leadership styles, and the successes and failures of the organizations they led. It helps us understand the evolution of management thought, organizational practices, and the long-term impact of leadership decisions.

◊ **Economics** contributes to OB by providing insights into decision-making, cost-benefit analysis, productivity, and resource allocation. Concepts such as incentives, efficiency, and labour markets help explain individual and group behaviour in economic contexts.

Together, these disciplines provide a more comprehensive and multidimensional understanding of how people behave in organizations.

3.1.7 Models of OB

Models are theoretical structures or hypothesised explanations for why employees behave in particular ways at work. There are different models with regard to working of an organisation. But all the models of OB can be broadly classified into four types: autocratic, custodial, supportive and collegial. Let us discuss each one by one.

1. **Autocratic Model** - The basis of this model is that authority, decision-making and responsibility are vested with the top management i.e. the managerial orientation is dictorial. According to this model, the managers give orders and the employees have to obey the orders. Workers are focused on obedience and discipline. The model prevents authorities from considering their suggestions. The major drawbacks of this model are that people are easily frustrated, insecure, dependent on their on their superiors, and have low performance because of the minimum wage. Companies apply this model in extreme circumstances like organisational catastrophes. Real-world example: A military-style organization or a factory during the early industrial age (like Ford Motor Company in the 1920s) often operated under this model—focused on discipline, control, and productivity with minimal concern for employee satisfaction or participation

2. **Custodial Model** – The primary goal of the custodial model of organisational behaviour is to keep employees safe. Once that is in place, employees are free from the uncertainty or chaos brought in by the autocratic model. In the custodial approach, companies are parents to their employees, providing job security,

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reasonable pay, pensions, health care, and other benefits. The expectation is that if the employees are secured financially, then they will be more compliant and loyal. Example: A government employee may receive excellent job security, fixed salary increments, and retirement benefits. While they may feel secure and loyal, they might not go beyond basic duties unless internally motivated. The custodial model guarantees loyalty and counters employee dissatisfaction by meeting security requirements but it won't necessarily improve high performance or innovation because employees become reliant on organizational safety and not motivated by personal accomplishment.

3. **Supportive Model** – The Supportive Model is founded on motivation and leadership. It distances itself from the classical concept of "worker and boss" and focuses on the ways in which the manager can contribute positively to supporting workers instead of overpowering them. In this approach, the management's orientation is to support the employee's job performance for meeting both organisational and individual goals. Example: A manager regularly meets with team members to provide feedback, listens to their ideas, and offers opportunities for training and growth. As a result, employees feel respected and motivated to perform better. The supportive model is especially useful in modern organizations that value employee engagement, teamwork, and development. It helps build trust and a culture where people feel empowered to contribute.

4. **Collegial Model** - The Collegial Model is based on the idea of partnership and teamwork between managers and employees. In this model, there is no boss-subordinate relationship. Instead, everyone works as colleagues with mutual respect and shared responsibility. Example: In a modern tech company, the manager holds weekly team discussions where everyone's opinions are valued. There is no rigid hierarchy, and each team member takes responsibility for their part of a project. People feel motivated not because of fear or money, but because they feel like an important part of the organization. The Collegial Model creates a democratic and empowering work environment, where employees and managers are united as a team and research studies shows that in comparison with traditional model, this model produced improved results.

5. **System Model**: The System Model of Organizational Behaviour is built on trust, self-motivation, and a shared sense of purpose. Employees are driven by meaningful work, ethical values, and a sense of community, while managers focus on appreciation, social responsibility, and creating a positive, sustainable work environment.

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Table 3.1 Models of OB

	Autocratic	Custodial	Supportive	Collegial	System
Basis of Model	Power	Economic sources	Leadership	Partnership	Trust, openness and shared values
Managerial Orientation	Authority	Money	Support	Teamwork	Caring and meaningful purpose
Employee Orientation	Obedience	Security and benefits	Job Performance	Responsible behaviour	Commitment to organizational goals
Employee psychological result	Dependence on boss	Dependence on organization	Participation	Self-discipline	Mutual Trust and community feeling
Employee needs met	Subsistence	Security	Status and recognition	Self-actualisation	Growth, purpose and meaningful contribution
Performance Result	Minimum	Passive cooperation	Awakened drives	Moderate enthusiasm	High level motivation and long-term excellence

Organization Caselet

Jane Arnold wants to be a manager. She enjoyed her accounting, finance, and marketing courses. Each of these provided her with some clear-cut answers. Now the professor in her organizational behaviour course, is telling her that there are really very few clear-cut answers when it comes to managing people. The professor has discussed some of the emerging challenges and the historical background and ways that behavioural science concepts play a big role in the course. Jane is very perplexed. She came to school to get answers on how to be an effective manager, but this course surely doesn't seem to be heading in that direction.

1. How would you relieve Jane's anxiety? How is a course in organizational behaviour going to make her a better manager? What implications does an evidence-based approach have?
2. Why did the professor start off with a brief overview of emerging challenges?

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Summarised Overview

OB is the study and application of knowledge about how people – as individuals and groups behave at work places. There are four key elements in OB: namely people, structure, technology and environment. OB has emerged as an interdisciplinary discipline, an applied science, a normative science and a humanistic approach. One of the main objectives of OB is to make managers more accurate and effective at describing, understanding, predicting and controlling human behaviour at work. The domain of organizational behaviour integrates the drawn from various disciplines like psychology, social psychology, anthropology and sociology. It helps in understanding people's behaviour at an individual, group, and organisational level. It applies knowledge that enhances organizational effectiveness

Self Assessment Questions

1. Define organisational behaviour. Discuss its scope.
2. Elaborate the need and significance of studying OB.
3. Describe how OB is an inter-disciplinary subject.
4. Describe the features of autocratic model.
5. Compare and contrast any two models of OB with suitable examples.
6. Explain the key elements of OB.

Assignment Questions

1. Organizational Behaviour (OB) is a multidisciplinary field that explores how individuals, groups and structures affect behaviour within organizations. Explain the fundamental concepts of OB. Analyse how understanding these fundamentals can help managers improve employee performance, motivation and workplace effectiveness. Support your discussion with relevant examples from real or hypothetical organizational settings.
2. A tech start-up is transitioning from remote to hybrid work. Recommend one OB model (supportive, collegial, or system) to retain employee

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engagement, addressing how the model aligns with hybrid work challenges (e.g., isolation, coordination) and mention two specific policies derived from the model.

3. Organizational Behaviour is an applied behavioural science that integrates principles from psychology, sociology, and anthropology to understand and manage people at work. Select a workplace challenge such as low employee morale, conflict in cross-cultural teams, resistance to change, or lack of collaboration and analyse it using all three disciplinary perspectives. Explain how with relevant theories and examples. Conclude by discussing how an integrated approach enhances a manager's ability to solve complex workplace problems.



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Unit 2

Perception, Personality & Attitude

Learning Outcomes

After completing this unit, the learner will,

- ◊ define the concept of perception and explain the perceptual process
- ◊ describe the concept of personality, identify different personality types
- ◊ discuss determinants of personality and evaluate the Big Five model.
- ◊ explain the concept of attitude, including its types and describe the process of attitude formation along with its key elements

Background

Human behaviour is very complex in nature. For effective management of the human asset in an organization, it is very essential to understand the nature of human behaviour at the working environment. The foundation of organizational behaviour is individual behaviour, which influences how workers interact, work and contribute to the accomplishment of organisational objectives. It includes the unique traits, drives and behaviours of people in a job that are impacted by environmental, psychological, and personal factors. Organizations may establish a positive work atmosphere that promotes productivity and employee happiness by having a better understanding of human behaviour. Personality, perception, attitudes are some of the factors that have a big impact on how people approach activities, work with others, and handle difficulties. Organizations can resolve problems at work, match individual skills with jobs and improve overall performance by examining these behaviours, resulting in a dynamic and cohesive work environment. This unit discusses about the concept of perception, personality and attitude which are essential for understanding the human behaviour at the workplace.

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Keywords

Perception, sensation, personality, attitude, attribution theory, traits, heredity, ABC model, halo effect

Discussion

3.2.1 Perception

In simple terms, perception is giving meaning to our surroundings, which consists of the things we perceive that exist around us. Perception is crucial in determining people's behaviour in organizations as it is related to how people choose, organize and define sensory information. Since all people come to the workplace with their own experience, attitudes and expectations, they will automatically assign different meanings to the same occurrence for example, two workers might interpret the same managerial action but will have drastically different meanings of it , one may perceives it as being fair, while another perceives it as being unfair, the same situation can be interpreted differently by different people and this influences their relationships, behaviour and communication at work which makes it an essential topic for organizational behaviour research. Now let's discuss the various definitions of OB.

Definitions

Several scholars have defined organisational behaviour in their unique ways:

Stephen P. Robbins (2005), "Organisational Behaviour is a field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations for the purpose of applying such knowledge towards improving an organisation's effectiveness."

Fred Luthans (2005), "Organisational Behaviour is directly concerned with understanding, predicting and controlling human behaviour in organisations."

Keith Davis (1981), "Organisational Behaviour is the study and application of knowledge about how people - as individuals and as groups - act within organisations."

John W. Newstrom (2015"Organisational Behaviour is the systematic study of the actions and attitudes that people exhibit within organisations."

Now, let us see the difference between - Sensation and Perception. They are two terms that go together but are not synonyms. Sensation is raw, unfiltered

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information we obtain from our senses — such as what we hear, see, smell or feel. Perception is when our brain interprets that sensory information and assigns its meaning. Whereas sensation is merely information from the surrounding world, perception assists us in interpreting it is based on our past experience, feelings and thinking. Perception can be said like for example when you are going to purchase a two-wheeler, your eyes notice the various colours, patterns and models that is sensation. But when you feel that one model is the best because it's trendy or fits you, that is perception. But an engineer might say another model is better because of its performance or mileage — their perception is shaped by technical knowledge Therefore, although the feeling (seeing the two- wheeler) is the same, the perception (which is better) is likely to be different with different people.

Caselet: "The Cold Manager"

Rita, a new MBA recruit, finds her manager, Mr. Kumar, to be distant and unfriendly. She perceives that he dislikes her. However, another team member says, "Don't worry, he's just like that with everyone. He's shy, not rude."

Here, perception affects Rita's interpretation of her manager's behaviour, even though the behaviour is consistent for all.

3.2.1.1 Factors affecting perception

The factors that influence perception relate to the perceiver, perceived and the situation. All these factors are of two kinds

A. Internal or Endogeneous factors

B. External or Exogeneous factors

A. Internal Factors

These factors reside in person concern. These include one's needs, desires, personality and experience. Internal sources come from within the individual such as their mood, feelings, experiences interests and expectations. These determine what they perceive and how they evaluate other people. For example: If it's a bad day for an employee the person may wrongly think that a co-worker's silence is rudeness, when the co-worker is actually working.

1. **Experience-**Experience and knowledge serve as basis for perception. When one's successful experience enhances his/her perceptive ability, failure erodes ones' confidence. Successful experience also helps perceiver understand stimuli with more accuracy.

2. **Personality** -Perception is also influenced by the personality of the perceiver. For example, an optimistic person may view a challenging task

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as an opportunity, while a pessimistic person might see it as a burden or threat.

3. **Needs and Desires -** What a person observes and how they perceive it are greatly affected by their current wants and needs. When someone strongly wants or needs something, they tend to observe and perceive things in a manner that satisfies that need. Occasionally, it may also result in selective or biased perception. For example: An employee hoping for a promotion might perceive a manager's casual compliment as a sign that they are being considered for advancement even if the compliment was simply a routine gesture.

B.External Factors

These relate to what is to be perceived and the situation.

1. **Size–** size determines the height or weight of an individual, object etc. The principle of size is that the larger the object, the more is the probability that it is perceived. Size attracts the attention of the individual.

2. **Intensity_** The intensity principle of attention states that the more intense the stimuli, the more likely it is to be perceived. For example, a loud noise or strong smell will be noticed more than the soft sound and bad smell.

3. **Frequency/Repetition** -This principle states that a repeated external stimulus is more attention getting than a single one. Advertisers mainly concentrate for repititing the advertisements to gain customers attention.

4. **Contrast** – Contrast refers to how much something stands out compared to its background or surroundings. When an object or person is different from others in appearance, colour, behaviour or sound, it is more likely to be noticed. **Example:** A team member wearing bright colours in a group of people dressed in black will attract more attention due to the contrast in clothing.

5. **Status** – We tend to pay more attention to people or objects with higher status, authority or social importance. Status creates a perception of importance and makes the person or thing more noticeable. **Example:** In a meeting, people may focus more on the CEO's opinion than on a junior employee's comment, simply because of the CEO's high status.

6. **Movement** - Moving objects or people are more likely to grab our attention than stationary ones. Our senses are naturally alert to motion, as it often signals change or something important. **Example:** In a quiet office, if someone suddenly walks in or waves their hands, others are more likely to notice them instantly because of the movement.

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3.2.1.2 Perceptual Process

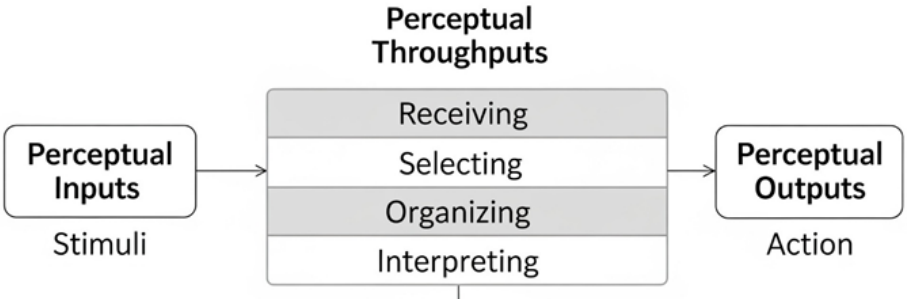


Figure:3.2 Perceptual process

Let us discuss each of these. As we know, perception refers to the process of receiving, selecting, organising, interpreting, checking and reacting to stimuli. This process is similar to an input-throughput-output process in which the stimuli can be considered as "inputs", transformation of inputs through various process such as selection, organising, interpretation as "throughputs" and the ultimate action or behaviour as "outputs".

- ◊ **Receiving Stimuli**: The first step in the perception process starts with the receiving stimuli which are received from various sources. This process involves physiological aspect. The stimuli are received from the various sources. Through the sense organs we hear, see, smell taste and touch things and in this way, the reception of stimuli is a physiological aspect of perception process. The stimuli may be external or internal also.
- ◊ **Selection of stimuli**: We are surrounded by lots of information every second—sounds, sights, smells and more. But our brain can't pay attention to everything. So, we select what we focus on. Example: In a busy classroom, you might ignore the noise outside and focus only on what your teacher is saying.
- ◊ **Organizing**: After we select information, our brain tries to arrange and organize it to make sense. We group similar things together or connect them based on what we already know. Example: If someone is dressed neatly and speaks politely, you might organize that information and think they are professional.
- ◊ **Interpretation**: Finally, we interpret the information, this means we give meaning to what we've seen or heard. This step is influenced by our past experiences, culture and mood. Example: If a manager speaks firmly, one employee might think they are being strict, while another might think they are just being clear.

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3.2.1.3 Attribution Theory

Attribution is an important concept for understanding perception, as it is related to judging the causes of others' behaviour. An inaccurate attribution may lead to inaccurate perception. Attribution is the process of explaining why someone behaves in a certain way. When we observe others, we naturally try to figure out the reason behind their actions by asking ourselves, "Why did they do that?" This leads us to make a judgment about whether their behaviour which was caused by something internal, like their personality, attitude, ability or by something external, like the situation or environment they were in. Attribution Theory focuses on this mental process of assigning causes to behaviour, which plays a big role in how we understand, evaluate and respond to people in everyday life, especially in the workplace.

The Attribution Theory is a psychological framework developed by Fritz Heider and was expanded by Harold Kelley that describes how people determine the causes of behaviour by either internal (dispositional) or external (situational) attributions. Internal (dispositional) attributions assign blame to personal characteristics such as ability, effort, or personality (e.g., laziness caused the missed deadline); whereas, external (situational) attributions assign blame to outside factors such as circumstances, task difficulty, or available resources (e.g., the server crash led to a missed deadline). This shows how we naturally judge others for their behaviours, often overemphasizing personal characteristics and underestimating situational constraints. In organizations, this distinction can assist managers in making more objective performance reviews, lead to more equitable employee evaluations, and encourage consideration of contextual factors.

Common errors in Perception

Selective Perception - Selective perception is the filtering out of information that we are not comfortable with or that goes against what we consider to be our beliefs. For instance, a manager is very positive towards a specific employee and one day the manager observes that the employee is committing errors. Selective perception can make the manager deny what he saw immediately. For instance, the boss who has already developed a very bad impression of a specific employee and he just happens to witness an exceptionally good performance from the same employee. Under the influence of the selective perception process there he will overlook it too. To a certain extent selective perception works because it helps us overlook small pieces of information. But if selective perception leads managers to overlook significant information, then it can be seriously harmful.

Halo Effect- Drawing a general impression about an individual based on a single characteristics or trait is called halo effect. But it has an important implication for understanding or evaluating an employee in the organisation. An employee based on halo effect may be rated as bad in one trait, but good

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in other traits. For example, if a manager thinks an employee is very punctual, they may also assume the employee is hardworking, disciplined, and reliable — even if there's no strong evidence for those other qualities. On the flip side, if an employee struggles with communication, the manager might assume they are also poor at teamwork or decision- making, even if that's not true. This kind of biased judgment, based on one observed trait, is the Halo Effect in action.

Stereotyping -Stereotyping is the process of making generalized assumptions about a person based on their group identity — such as gender, age, religion, or ethnicity — rather than individual traits. It leads to unfair judgments and can harm workplace relationships and decision-making. Example: Assuming that young employees are always tech-savvy or that older employees resist change, without considering their actual skills or attitude.

Case Study: Differing Perceptions at Hi-Style Limited (Harvard/IBSCDC, June 2009) Scenario:

Hi-Style Limited, a premium women's fashion company, hires Rachna as a chief designer—her dream job. But she faces unexpected challenges due to her colleagues' and management's perceptions**.**

Perceptual Biases in Action: Rachna was welcomed warmly during her interview with promises of equality. Yet at work, subtle biases surfaced. Female employees were often stereotyped and assigned menial tasks, while male juniors earned prestigious assignments, being referred to as "golden boys."

Stereotyping and Selective Perception: Despite policies favouring rotation, leadership repeatedly selected men for top jobs, dismissing women as "audit drones." Even a pregnant manager was side lined due to assumptions about commitment.

Why this Matters in Perception Theory?

This case highlights how perceiver-related biases (gender stereotypes, expectations), target-related perceptions (status of male vs. female), and situational factors (organizational norms) distort judgment and impact fairness and morale.

Questions

1. What types of perceptual errors did you notice in the role plays?
2. How did perception affect fairness and employee motivation?
3. How can managers reduce bias in their perceptions?
4. Can training or awareness change how people perceive others at work?

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3.2.2 Personality

The term personality has been derived from Latin word "personnare" which means to 'speak through'. Originally, the term denoted the masks worn by the actors in the ancient Greek dramas. Personality is traditionally referred to how people influence others through their external appearances but it includes something more. Let us see some definitions on personality.

According to Gorden Allport, "Personality is the dynamic organisation within an individual of those psychological systems that determine his unique adjustment to his environment".

In the opinion of Ruch," Personality can be described as how he understands and views himself and his pattern of inner and outer measurable traits."

Personality can be regarded as the sum total of ways in which an individual reacts and interacts with others and the environment. It can also be viewed as an organised behaviour of an individual to react to a given stimulus in a given manner. Now, we shall turn our attention to the determinants of personality.

3.2.2.1 Determinants of personality

Human beings are very complex with different abilities and interest. Different thinkers have listed different determinants of personality. However, the various determinants of personality can be classified into three groups namely (1) Heredity (2) Environment, (3) Situation

1. **Heredity (**Biological Factors) -heredity refers to those factors that were determined at conception. Thus, heredity refers to biological factors. It refers to the transmission of the qualities from the parents to the children through a biological mechanism lying in the chromosomes. Studies has proved that heredity surely plays a role in determining one's personality Example: Some people are naturally more energetic or calm due to inherited traits.

2. **Environment (**Social and Cultural factors) - The environment we grow up in, plays a major role in shaping our personality. This includes family background, education, culture, traditions, social norms, peer groups, and life experiences. Example: A child raised in a supportive and encouraging family is likely to develop confidence and social skills, while one raised in a harsh or critical environment may become withdrawn or defensive.

3. **Situation** - Situation extends an important press on individual. Every individual goes through different types of experience and events in his life. Some will influence his behaviour and some will change and modify his behaviour. Example. A trauma suffered by a person, especially sex assault, affects his later life also. Timid/shy person performs his heroic acts in certain lifesaving situation, without caring for his own safety Sometimes, temporary situations

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can influence a person's behaviour or personality expression. While these factors don't form the core of personality, they can alter how a person behaves in specific contexts. Example: A generally calm person might become aggressive under extreme pressure or stress at work, which is a situational response rather than a permanent trait.

3.2.2.2 Types of Personality Traits

Traits are the lasting attributes or characteristics found in an individual. As stated earlier, there are so many personalities. Personalities differ in traits. A trait is any distinguishable, relatively enduring way in which one individual differs from another. Though behavioural researchers have attempted to identify the personality traits, the 16 traits reported by Cattell are generally accepted ones. These are listed below:

1.	Reserved	vs. Outgoing
2.	Less Intelligent	vs. More intelligent
3.	Affected by feeling	vs. Emotionally stable
4.	Submissive	vs. Dominant
5.	Serious	vs. Happy-go-lucky
6.	Expedient	vs. Conscientious
7.	Timid	vs. Venturesome
8.	Tough- Minded	vs. Sensitive
9.	Trusting	vs. Suspicious
10.	Practical	vs. Imaginative
11.	Forthright	vs. Shrewd
12.	Self-assured	vs. Apprehensive
13.	Conservative	vs. Experimenting
14.	Group-Dependent	vs. Self-sufficient
15.	Uncontrolled	vs. Controlled
16.	Relaxed	vs. Tense

Based on these groups, following are the main types of personalities:

1. Introvert and Extrovert Personalities:

One of the key distinctions in personality types lies in whether a person is an introvert or an extrovert. Introverts are inwardly oriented people who recharge their energy by being alone and reflecting quietly. They tend to be introspective, reserved, and like to spend their time pursuing activities alone. For instance, someone who likes reading alone in their home instead of joining a group discussion or someone who like working alone without having to be around people all the time might be an introvert. Extroverts,

on the other hand, are people-oriented, deriving energy from social interaction. Social, lively, outgoing individuals who prefer working in groups are extroverts. For example, a team member who is discussion-oriented and enjoys going to networking events and feels energized after attending social gatherings will tend to be an extrovert. It is comprehending such differences that enables us to appreciate how people respond differently to the world around them and with people. It is noted that most of the people really tend to be neither introverts nor extroverts but ambiverts that is, they are in between introversion and extroversion.

2. Type A and Type B personalities

Type A and Type B personalities represent two contrasting behavioural patterns commonly observed in individuals**.** Type A personalities are typically hard-working, highly competitive, goal-driven, and constantly striving for achievement. They often have a strong sense of time urgency, tend to multitask, and may become easily frustrated when things don't go as planned. Their aggressive pursuit of success can make them prone to stress. For example, a manager who juggles multiple tasks at once, sets strict deadlines, and becomes anxious if others don't work at the same pace reflects a Type A personality. In contrast, Type B personalities are more relaxed, patient, and easy-going. They are not driven by constant deadlines or the need to outdo others. Type B person might enjoy their work but doesn't let pressure overwhelm them, like an employee who calmly handles challenges and prefers steady progress over racing to the finish. Understanding these personality types helps in managing stress, teamwork, and workplace dynamics more effectively**.**

3. The Myers-Briggs Type Indicator (MBTI)

The MBTI is a personality assessment instrument that is widely used across the world. This instrument consists of 100 statements on human personality. It asks individuals how they generally, feel in specific scenarios. Based on the responses provided by the individuals, they are categorized as:

- ◊ Extraverted vs. Introverted (E or I): Extraverted individuals are outgoing, friendly, and self-assured, whereas introverted people are calm and reserved.
- ◊ Thinking vs. Feeling (T or F): Feeling types of individuals often base their decisions on their own morals and feelings, whereas thinking individuals are more logical and sensible in general.
- ◊ Sensing vs. Intuitive (S or I): Sensing individuals are highly practical and tend to stick to routines and orders. In contrast, intuitive individuals are not practical and typically rely on unconscious processes.
- ◊ Judging vs. Perceiving (J or P): Judging personalities appreciate order and organization in their surroundings and seek control, whereas perceiving personalities are more adaptable and impulsive.

Higher and lower scores in each of these characteristics aid in categorizing individuals into 16 different personality types. For instance, Extraverted/Sensing/Thinking/Judging

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(ESTJ) people are effective organizers and decision-makers because they are logical, reasonable, and analytical. Introverted/ Intuitive/ Thinking/ Judging (IITJ) persons are self-sufficient, driven, excellent creative thinkers, and have a strong desire to pursue their own ideas. As a result, it can be stated that MBTI is a highly effective instrument that is frequently used for employee selection, enhancing self-awareness, and offering career direction.

4. The Big Five Model

The Big Five Personality Traits, also known as the OCEAN model, is one of the most widely accepted and researched models in psychology and management. The big five model of personality or popularly known as the 'Big Five' is a part of 'Trait theories of Personality. The five-factor structure allows for personality measurement through self-reports, peer evaluations, observer ratings, and even assessments from strangers while accounting for cultural differences in socialisation. It describes personality using five broad dimensions, and each person has these traits in varying degrees.

They are as follows:

- ◊ Openness to Experience: It describes how imaginative, intellectually curious, and emotionally aware a person is. Individuals high in this trait tend to seek out new experiences, enjoy art and abstract thinking, and embrace unconventional ideas.
- ◊ Conscientiousness: This trait refers to the number of targets a person is focusing on. At one point, a person of high conscience focuses on very few goals. Such individuals are believed to appear to be well organized, cautious, responsible, self-disciplined, and centered. A person with low conscientiousness tends to be less concentrated, and at one time may seek to accomplish several goals. In short, we can say they are responsible, dependable, persistent and achievement-oriented.
- ◊ Emotional Stability (Neuroticism): This personality trait centers on the ability of an individual to cope with stress. Emotionally stable individuals tend to be calm, enthusiastic and secure. The emotionally unstable person, on the contrary, appears to be anxious and deprived with insecurities. calm, self-confident, secure, tense, insecure and nervous.
- ◊ Agreeableness: It reflects a person's willingness to get along with others and build positive relationships. People high in this trait are friendly, compassionate, and genuinely care about others. They value harmony over conflict and are more interested in collaboration than having their own way. In short, agreeable people are good-natured, supportive, and easy to work with.
- ◊ Extroversion: It is a measure of how comfortable one is with relationships. Extroverts are sociable, talkative, assertive and receptive to new relations.
- ◊

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The "Big Five" framework is considered valuable for managers as study of these personality dimensions will give them with the power to predict the behavior of individuals in certain situations. However, there are many demographic, cultural and environmental factors that influence the Big Five traits. These factors should be taken into consideration while taking decisions based on The Big Five Personality dimensions. In addition to the Big Five, researchers have suggested several other personality measures, or traits. Things include self-monitoring, self-esteem, positive temperament and self-efficacy.

The Big Five Personality Types in a wide range of fields, such as psychology, education, workplace management, and personal growth, traits are useful. Understanding these characteristics can enhance leadership development, hiring practices, and team dynamics in organizational contexts. For instance, high agreeableness encourages cooperation and teamwork, whereas high conscientiousness is frequently associated with job success. Teachers can modify their teaching methods to fit the characteristics of their students. For example, they can give discipline to extremely conscientious students or encourage creativity in open-minded people.

Personality and its relevance to managers

Personality refers to the unique set of traits, behaviours and emotional patterns that define how a person responds to situations. An understanding of the concept of personality helps managers in following ways:

1. Helps in identifying better Job-Person Fit: Personality assessments help managers match the right candidate to the right role—for example, selecting extroverted individuals for sales roles or detail-oriented and analytical personalities for finance or quality control.
2. Helps in predicting work behaviour: A candidate's personality can provide insight into how they might behave under pressure, work in teams, or handle conflicts
3. Design training and development programmes: The personality traits of the employees can be kept in mind by the managers while designing their training and development programmes.
4. Enhances team- building: Understanding different personalities allows managers to build balanced and high-performing teams.
5. Aids in decision making: The decision-making in organisation is guided by the personality of an individual. Good decision makers can be identified by managers.
6. Improves Employee Retention: Understanding employee personalities helps managers create a supportive work environment that reduces employee turnover.
7. Supports Motivation Strategies: Tailoring motivational techniques to different personality types in employees leads to better employee engagement.

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CASE: The Creative Crafts

Sales for The Creative Crafts (TCC) witnessed a declining trend since last five months and Raj was under pressure to improve it. He joined as the new Regional Sales Manager just last month at Lucknow office. A meeting of the territory sales managers Ramesh, Deepak and Sandeep is going on. Raj is deeply worried as sales is still not picking up. TCC retailers all over Uttar Pradesh wanted it to have newer versions of their product, improved product delivery system and quicker financial settlements.

Raj: "But I can't ask the company to develop new products. We can't take that risk. Do you know it needs time and money?"

Ramesh: 'I understand sir, but our intermediaries were hoping that someday we would understand their problem. And even our customers are wanting new versions. So why not take a step and move ahead? Otherwise also we are losing. Let us invite a few devoted retailers and loyal customers and have their views

Sandeep: 'Rather I would prefer that we need to first call opinions of our sales representatives. Then we need to talk to intermediaries and customers. Next, we need to analyse our strengths and weaknesses. Only then we should draw any conclusion.

Raj: No no... I don't see any gain in doing all this.

Deepak: 'Wait... wait let us think together and we would certainly come to an acceptable solution. We need to be mature enough to cooperate instead of disagreeing. Can't we he creative to think of innovative ways to deal with the problem?"

Discussion Questions

(a) Where is Raj lacking?

(b) What trait is dominant in Deepak and Sandeep?

(c) Who could lead the team better? Give reasons.

3.2.3 Attitude

Attitude is a state of mind, acquired through experience, which governs how a person reacts to people, objects, situations, or ideas. It involves their likes and dislikes, beliefs and feelings, and serves to determine their action in a habitual manner. Attitudes are of prime importance in the work environment because they have a strong influence on employee motivation, teamwork, job satisfaction, and performance. Attitude is a learned tendency to feel, think, or behave in a particular way towards something. For example, if a person says, "I like teaching," he is expressing his attitude towards his work. Let us

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consider some definitions on attitude given by various behavioural thinkers.

- ◊ According to Michael Hogg, "An attitude is a negative or positive evaluation of an object which influences human's behaviour towards that object"
- ◊ According to Stephen P Robbins, "Attitudes are evaluative statements, either favourable or unfavourable concerning objects, people or events."
- ◊ According to Munn," attitudes are learned predispositions towards aspects of our environment. They be positively or negatively directed towards certain people, service or institutions.

Now, attitudes can precisely be defined as a persistent tendency to feel and behave in a particular way towards some objects, persons or events. Let's see some of the salient features.

1. Attitudes has an emotional component as it is related to the feelings and beliefs of people.
2. Attitudes respond to persons, objects or events.
3. The behaviour can be either positively or negatively affected.
4. Attitude undergo changes.
5. Attitude involves learned behaviour that is they are not inborn — they are acquired over time through personal experiences, upbringing, education, and environment.
6. Attitudes are predispositions as these are already formed opinions or are predetermined on the basis of prior experience or information.

3.2.3.1 Types of Attitude

a. Positive Attitude

A positive attitude means having an optimistic mindset and focusing on the good, no matter the situation. People with a positive attitude tend to see the good in situations, even when faced with challenges. A positive attitude can increase motivation, productivity, and overall happiness. Such people tend to be more successful in both personal and professional aspects of life because they are persistent and handle stress better.

For Example: An employee who tackles problems calmly and finds them an opportunity to learn depicts a positive attitude.

b. Negative Attitude

A negative attitude is marked by pessimism, cynicism, and a tendency to focus on the unfavourable aspects of situations. Negative attitudes can lead to dissatisfaction, poor relationships, and low motivation. They can contribute to feelings of dissatisfaction and stress, making it harder for individuals to cope with challenges. Such attitudes may

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hinder personal growth and the ability to connect with others effectively. For Example: An employee who constantly criticises new ideas or avoids responsibility shows a negative attitude.

c. Neutral Attitude

A neutral attitude reflects a lack of strong feelings or opinions towards a particular person, situation, or event. Neutral attitudes suggest that an individual is impartial or unaffected by a situation, often resulting in passivity or indecision.

For Example: An employee who follows instructions but doesn't take initiative or show involvement in team activities may have a neutral attitude.

d. Cognitive Attitude

This type of attitude is based on a person's beliefs, knowledge, or thoughts about something. It forms the thinking part of attitude.

For Example: "I believe that flexible work hours increase productivity" this belief forms a cognitive attitude.

e. Affective Attitude

This relates to a person's emotions or feelings toward a person, object, or situation.

For Example: Feeling happy about your role in the team or liking your manager indicates an affective attitude.

f. Proactive Attitude

Proactive people are driven, are responsible for their actions, and seek out methods to make their surroundings better. Unlike aggressive, they need not exhibit exercise force but are highly deterministic in their outcome. They possess a growth mindset and are willing to be initiative-takers. For example, Riya noticed her team was struggling with deadlines and took the initiative to introduce a task-tracking system without being asked. Her proactive attitude helped improve team efficiency and showed leadership through action.

Knowledge about various types of attitudes assists in anticipating the reaction of employees, which aids planning and decision-making. It also assists in being able to communicate more efficiently, increase motivation, and receive messages positively. Managers can respond to resistance to change more effectively by spotting such attitudes sooner, and they can perform better to build a better workplace that is constructive and supportive, and facilitates development and collaboration.

3.2.3.2 Formation of Attitude

Attitudes are not inherited; rather, they are learned and acquired through interaction with the environment. Our surroundings, including people, experiences, culture, and media shape how we think, feel, and behave toward objects, people, and situations. The formation of attitudes can be broadly classified into the following sources:

1. **Direct experience** –Personal experiences often determine attitudes. These direct experiences leave emotional imprints that influence how we perceive and respond to similar situations in the future. For example, having an encouraging and patient teacher who inspired curiosity may create a positive attitude toward learning, while being humiliated in front of peers might result in a negative attitude toward school or public speaking. These experiences are the lens through which we interpret subsequent events, which makes them particularly strong influences on long-term attitudes.

2. **Social Learning** – Social learning is the process of acquiring attitudes by watching and interacting with others in our environment. Family members, peer groups, religious institutions, educational systems, and broader culture all play a crucial role in this process. Attitudes are often formed indirectly by watching others, listening to their views, or internalizing societal norms.

3. **Peer groups -** Peers, especially during adolescence and early adulthood, strongly influence attitude formation. A person may adopt the attitudes, language, preferences or behaviours of their friends or classmates, often without conscious effort. For example, if a group of college friends expresses enthusiasm about entrepreneurship, an individual in that group may also develop a favourable attitude toward starting a business. Similarly, values and perspectives are often absorbed from peers in schools, colleges, or workplaces, sometimes even more strongly than from family.

4. **Observation and Modelling**- Attitudes are also acquired through observational learning, which was made well known through the work of psychologist Albert Bandura. This entails people watching others' behaviour and the outcome of such behaviour and acquiring attitudes like theirs. For instance, when an employee observes a fellow worker being rewarded for timely work and professionalism, they also acquire a good attitude towards work discipline. Film, media, books, and social media influencers can also serve as models, unwittingly or even consciously influencing our attitudes through ongoing exposure.

3.2.3.3 Elements of Attitude -ABC Model of Attitude

The ABC Model of Attitude, also known as the tri-component model, is a widely accepted theory in psychology and organizational behaviour that explains how attitudes are formed and expressed. It breaks down an attitude into three interrelated components such as Affective (how we feel), Behavioural (how we act), and Cognitive (what we believe). These three together determine how people react to individuals, objects, or events in social and personal life.

Example: Attitude Toward a Manager

◊ **Affective Component (Feelings):** This refers to the feeling or positive or negative attitude one has towards an object, person, or situation**.** For example, "I really respect and like my manager because she is supportive and encouraging." This represents positive attitudes towards the manager. The employee feels warmth, respect and trust because the manager is friendly and accessible. These

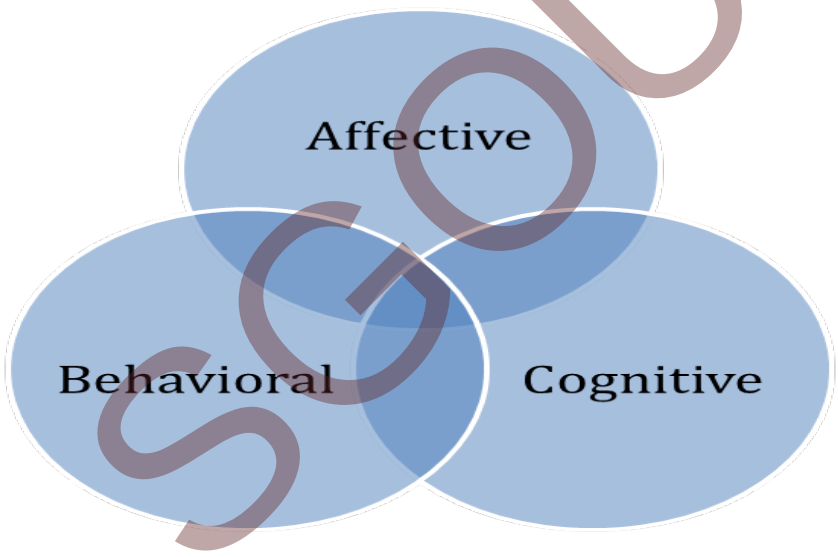
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attitudes represent the affective component of the attitude towards the manager.

◊ **Behavioural Component (Actions):** This refers to how a person intends to behave or act in response to the object of the attitude. For example, "I proactively take on new tasks and volunteer for projects when she asks, because I trust her leadership." This shows the employee's behaviour is shaped by their positive attitude. Because they have a favourable view of their manager (trust and respect), they choose to act in supportive ways by taking initiative and helping out when needed.

◊ **Cognitive Component (Beliefs):** This part of attitude is all about what you think or believe about someone or something, based on what you've seen, experienced, or learned. In the example: "I believe she is an effective and fair leader who prioritizes employee growth and open communication." Here, the individual isn't simply experiencing a good feeling toward the manager but they have also witnessed her actions and concluded that she's effective, fair and supportive. It is an experience-influenced judgment based on thought.

ABC MODEL OF ATTITUDE



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CASE STUDY: The Ripple Effect of Attitude at Work

Ananya had recently joined as a team leader in a digital marketing agency known for its fast-paced and deadline-driven environment. She brought with her an optimistic mindset and a collaborative spirit. In contrast, a few team members, especially Rahul who had been with the company for over three years had grown cynical over time due to repeated changes in management and lack of recognition.

From day one, Ananya encouraged open communication, set clear expectations, and made a genuine effort to appreciate even the smallest efforts.

Slowly, the atmosphere of her team started changing. Younger members began volunteering for new projects, team meetings became more engaging, and even Rahul though still skeptical started showing slight shifts in behaviour.

However, one day, Rahul openly dismissed Ananya's motivational talk in front of the team, saying, "All this positive talk doesn't change the fact that management never sticks to its word." This remark caused awkward silence and lowered the team's morale momentarily.

Instead of reacting negatively, Ananya calmly replied, "I understand how past experiences can shape our attitude, Rahul. But we always have a choice to stay stuck in the past or to be part of the change."

Questions

1. What kind of attitude did Ananya and Rahul demonstrate?
2. How do attitudes affect team morale and productivity?
3. What could Ananya do to sustain the positive shift in team attitude?
4. Can an individual's negative attitude impact the whole team?



Summarised Overview

Human behaviour can often be unpredictable, especially in the workplace. To better understand why people, think, feel and act the way they do at work we need to explore three key elements: perception, personality and attitude. Each of these aspects plays a vital role in shaping on-the-job behaviour. Perception explains why people may interpret the same situation in different ways. Whereas personality influences how individuals react and interact with others, with models like the Big Five Personality Traits offering useful insights into behaviour patterns. Attitudes, meanwhile, reflect on how people feel about their work, co-workers and the organization and also serve as early warning signs of dissatisfaction or conflict. Managers are interested in knowing their employee's attitudes because attitudes give warnings of potential problems of conflicting situations at work environment. By understanding these human factors, organizations can create better teamwork, improve motivation, and build a happier and more productive work environment. In essence, decoding human behaviour helps leaders unlock the full potential of their teams and create a thriving, people-centric workplace

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Objective Questions

1. Define perception.
2. What are the major factors influencing the perception of individuals?
3. Describe the concept of Personality
4. Write a short note on attribution theory
5. Briefly discuss the factors that affect the process of perception.
6. Describe the process of attitude formation
7. Discuss briefly the relevance of personality on managers
8. What are attitudes and explain any three uses of attitudes for the managers

Assignments

1. Draw a profile of at least ten people belonging to different professions you come across. Put their observed personality traits into the categorisation of five traits that you have learned.
2. Choose 5 parents and record their attitudes towards different aspects of food and clothing being preferred by youngsters. Now think and list out the ways you can use to change the attitudes of parents.
3. Identify an example which is perceived differently by you and one of your friends. Try to find out the possible factors that influenced your perception

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4
BLOCK

MOTIVATION AND LEADERSHIP

Unit 1

Motivation

Learning Outcomes

By the end of this unit, learners will be able to:

- ◊ explain the concept of motivation
- ◊ explain its significance in enhancing individual and organizational effectiveness
- ◊ familiarise the key motivation theories
- ◊ outline the different types of motivation

Background

Motivation is the driving force behind human behaviour and plays a crucial role in the workplace by influencing employee productivity, job satisfaction, and overall organizational success. It is a key managerial function, enabling leaders to guide their teams toward achieving performance goals. In today's competitive and dynamic business environment, where high-performing and engaged employees are essential for success, understanding motivation has become more important than ever.

This unit lays the groundwork for comprehending the fundamentals of motivation as to why people work, how they remain committed to their tasks, and what factors influence their willingness to perform. By exploring both classical and contemporary motivation theories, learners will develop a critical understanding of what drives individual behaviour at work. These insights are essential for aspiring managers and leaders aiming to build a culture of engagement, purpose, and sustained performance. Additionally, this unit equips learners with the ability to evaluate and apply motivational principles to real-world business contexts, enhancing their effectiveness in managing people and organizational outcomes.

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Keywords

Needs, Incentives, Drives, self-actualization, Intrinsic, Extrinsic, Motivation, Hygiene factors, expectancy, equity theory, valence

Discussion

4.1.1 Introduction

"When something is important enough, you do it even if the odds are not in your favor." —Elon Musk, founder, inventor and one of the most powerful leaders of our generation. He is not just known for building electric cars or launching rockets, he's admired globally for his determined spirit, vision and passion. Despite failures, criticism and risks, he continues to push boundaries. What keeps him going? That spark, that inner fire, that relentless energy, that is what we called as" motivation".

Motivation is that inner force of our mind that compels people into action. It activates as well as direct one's behaviour. The term motivation had its roots from the Latin word movere, which means "to move". Motivating employees is one of the most crucial roles of management. The concept of motivation is situational and its level varies between different individuals and at different times. Now let's see some definitions proposed by various management thinkers.

4.1.1.1 Definitions

- In the opinion of Stephen P. Robbins," Motivation is the willingness to exert high levels of effort towards organizational goals, conditioned by the effort, ability to satisfy some individual need".
- Fred Luthans," Motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive"
- According to George R. Terry, "Motivation is the desire within an individual that stimulates him or her to action".
- In the words of Robert Dublin, it is "the complex of forces starting and keeping a person at work in an organization".

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4.1.1.2 Features of motivation

The following are the features of motivation:

- ◊ It is an internal feeling and forces a person to action.
- ◊ It is a continuous activity.
- ◊ It varies from person to person and from time to time.
- ◊ t may be positive or negative.
- ◊ It is a goal-oriented process.

4.1.1.3 Significance for Motivation

- ◊ Drives performance – Motivated employees put in more effort and energy towards achieving goals.
- ◊ Increases productivity – Leads to efficient use of resources and higher output.
- ◊ Boosts job satisfaction – Employees feel valued and engaged in their roles.
- ◊ Reduces absenteeism & turnover – Motivated individuals are more committed to their jobs.
- ◊ Encourages innovation – Motivation fosters creativity and problem-solving.
- ◊ Aligns personal goals with organizational goals – Ensures a win-win situation.
- ◊ Promotes a positive work culture – Enhances teamwork and cooperation
- ◊ Builds resilience – Helps employees handle stress and setbacks better.

4.1.1.4Types of Motivation

- ◊ **Intrinsic Motivation** - This comes from within the person – doing something because it is personally rewarding or enjoyable. Example: A designer creates artwork because she loves being creative, not because she's paid to do it.
- ◊ **Extrinsic Motivation** - This comes from outside the person – doing something to earn a reward or avoid punishment. Example: An employee works overtime to get a bonus or to avoid a warning from the boss.
- ◊ **Positive Motivation** - This involves rewarding someone to encourage good performance. Example: An employee is promised a promotion if they achieve their sales target. It also includes provision of incentives which can be monetary or non-monetary. Monetary incentives include the wages, salaries, pay, increment etc. and non-monetary incentives comprise of increment in status, recognition of work, increasing responsibilities etc.

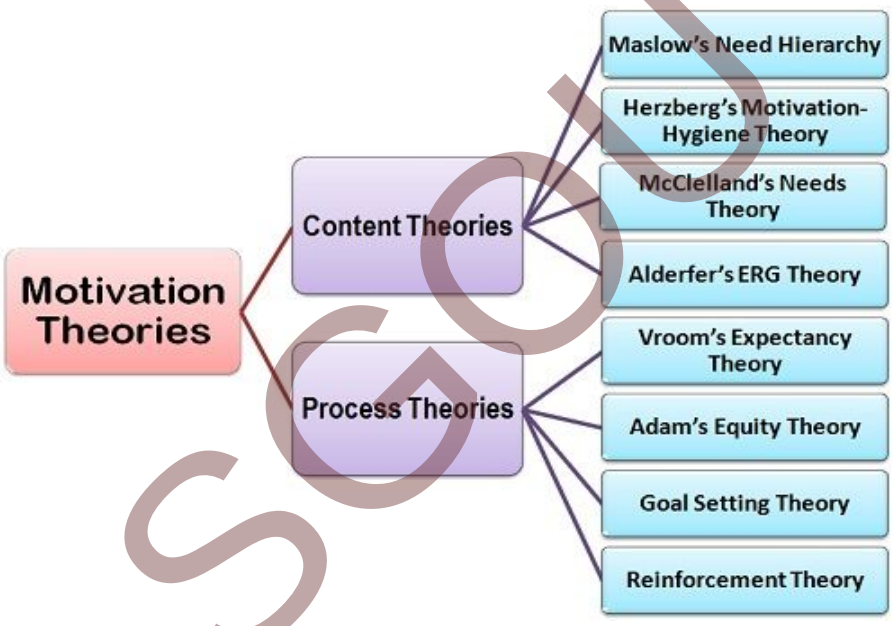
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◊ **Negative Motivation** - This uses fear of punishment or consequences to push someone to act. Example: An employee works harder because they fear losing their job.

4.1.1.5 Motivation Theories

Motivation is a driving force behind human action. There are many forces which guide and direct behaviour. Numerous psychologists have studied human behaviour and have formalized their discoveries in the form of several motivational theories. These motivational theories provide insights into the way people behave and what motivates them. Theories of motivation drive people to work towards the accomplishment of goals. In business management, it is essential to motivate their employees to become more productive and efficient in their employment. The motivation theories can be classified them as:

Figure: 4.1 Motivation Theories



A. Content theories: Content theories or need theories, examine what drives people or simply what motivates them on the job. Content theories address the internal driving forces such as desires, drives and needs that energize human behavior. The belief is that individuals possess inherent psychological and physiological needs and when they are not satisfied, it results to tension and stress. This tension triggers people to behave in a manner that can fulfill their needs and restore balance. Within an organizational context, content theories explain how workers act in a specific manner due to unsatisfied needs. They are Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, Alderfer's ERG Theory and McClelland's Theory of Needs.

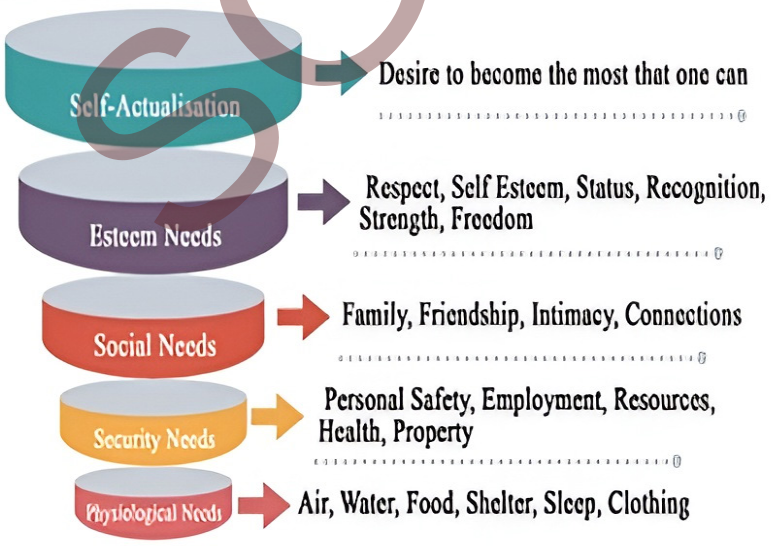
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B. Process theories - Unlike content theories that describe what triggers motivation, process theories describe how motivation works or how motivation actually occurs. Process theories are interested in the cognitive and mental processes that guide how people make decisions about effort and performance. Process theories essentially examine the thought process and reasoning behind the decision that causes people to perform a certain way in an attempt to achieve goals. Process theories address issues such as: Is effort desirable? Is it worth it? Vroom's Expectancy Theory, Adam's Equity Theory, and Locke's Goal-Setting Theory are some of the key process theories. They establish how employees assess situations and make motivational decisions based on perception, expectations, and fairness. Now, Let's discuss each theory one by one

1. Maslow's Hierarchy of Human Needs

Maslow's theory says that human needs are in a hierarchical order – he begins with the basic survival needs and progresses towards the highest need of self-actualization. An individual is progressed to the next level only after the current need has been met. An unsatisfied need is the starting point in the motivation process. Once they satisfy their basic needs, then start to look for satisfying higher needs. It is explained as people want to increase their needs and prioritized according to its importance. Maslow's hierarchy of needs forms the foundation of theories that try to explain levels of satisfaction of human needs. Maslow described need hierarchy in the form of a pyramid and organises the different levels of human psychological and physical needs in order of importance.

Figure: 4.2 Maslow's Hierarchy of needs



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a. Physical or Physiological Needs

The bottom of the pyramid represents the basics needs which includes food, clothing, shelter, water etc. These needs relate to the survival and existence of human life.Every individual's essential requirement is to fulfil their basic needs and move forward to the next level. To emerge into next level of needs, the basic needs should be fulfilled. Once the basic needs fulfilled, they no longer motivate them.

b. Safety or security needs

After achieving the physical need, every individual is concerned about the security which includes safe environment. Security needs comprise personal security, financial security, and health and well-being of the individuals. To fulfil these needs involves more money and efforts, hence, the individual is encouraged to work hard. Like physiological needs, these become inactive once they are satisfied and move on to the next level.

c. Social or Belongingness Needs

People are interested in social interaction, companionship, belongingness etc., because they are social beings. Social needs include love, affection and social interaction of the individuals. Now a days the social interactions of the individuals is made through professional organizations, clubs, religious groups, social media sites, and so forth. So, many of them are prefer to work in groups, especially older people.

d. Esteem Needs

These needs contain two features that are self-esteem or self-respect through personal accomplishment and social esteem through respect and appreciation from others. These needs include self-confidence, achievement, competence, knowledge and independence. Accomplishment of these needs helps to increase the self-confidence, strength and capability of being useful in the organization.

e. Self-Actualisation Needs (Self-fulfilment or Self- realization)

Once an individual enters into the level of self-actualization, it is the culmination of all other lower-level needs. In other words, it is top level need in the need hierarchy model. It refers to "becoming all you are capable of becoming." At this stage, people feel that they accomplished their goals or overcome the challenges and marked by new sense of self confidence.

According to Maslow's need hierarchical theory, human needs follow a sequence of domination. In other words, the second need arises only after completion of first/ basic needs and third arises only after second and it goes on till self-actualization. The other side of need hierarchy is human needs are unlimited.

There are many other criticisms against the need hierarchy theory, following are some of them;

a. Needs are not the only determinants of human behaviour.

b. The hierarchy of needs is personalised, different people may have different

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orders. Need satisfaction do not always follow the hierarchy order.

c. In case of some people, the level of motivation may be permanently lower.

Industry Example: Tata Steel

Tata Steel serves as a strong real-world example of Maslow's Hierarchy of Needs in action, showcasing how an organization can foster employee motivation through a layered and holistic approach. At the base level, Tata Steel addresses physiological needs by providing subsidized meals and housing facilities for its employees. Safety needs are met through robust job security, comprehensive health insurance, and strict workplace safety measures. To fulfill social needs, the company nurtures a sense of belonging by encouraging participation in clubs, family events, and employee networks that strengthen community ties. Moving up the hierarchy, esteem needs are addressed through structured recognition programs like "Best Performer of the Month," which boost employee confidence and a sense of achievement. At the highest level, Tata Steel supports self-actualization by encouraging innovation, offering leadership opportunities, and funding higher education. By aligning its HR policies with Maslow's theory, Tata Steel not only meets employee needs but also drives deeper engagement, loyalty, and performance.

2. Herzberg's Two-Factor Theory

The psychologist Frederick Herzberg extended the work of Maslow and proposed a new motivation theory popularly known as Herzberg's Two - Factor (Motivation Hygiene) Theory. He conducted a study on 200 accountants and engineers employed by firms in and around Pennsylvania. He asked them to describe two important incidents at their work: (1) When did you feel particularly good about your job and (2) when did you feel exceptionally bad about your job. He then used critical incident method of obtaining data and the responses were analyzed. The replies reported good feelings were generally associated with job satisfaction whereas bad feelings were associated with job dissatisfaction. He then labeled the job satisfiers as motivators and he called job dissatisfiers as hygiene or maintenance factors. So, both the motivators and hygiene factors have become known as Herzberg's two -factor theory of motivation and he believes in the existence of dual continuum.

Motivators are factors related to the nature of the work itself and the way individuals feel about their job. These factors, when present, lead to job satisfaction and motivate employees to perform better. However, their absence does not necessarily cause dissatisfaction—it just leads to a neutral state. These factors have a positive effect on the functioning of the employees in the organization. An increase in these factors satisfies the employees and the decrease in these will not affect the level of satisfaction.

Hygiene factors are those which are related to the conditions in which the job has to be performed that is work environment. When these factors are absent or inadequate, they lead to job dissatisfaction. However, even if they are adequately present, they do

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not lead to job satisfaction they merely prevent dissatisfaction. In other words, hygiene factors are necessary to maintain a basic level of employee comfort and stability, but they do not drive motivation or higher performance.

The core concept of this theory is that an individual cannot achieve higher performance only by improving the working environment. Organizations must go beyond hygiene and actively create conditions that promote job enrichment, such as giving employees more autonomy, responsibility and opportunities for achievement and growth.

Table :4.1

Examples of Motivators (Intrinsic)	Examples of Hygiene factors (Extrinsic)
1.Achievement	1. Company policies and administration
2.Recognition	2. Quality of supervision
3.Work itself (interesting, challenging tasks	3.Working conditions
4.Responsibility	4.Interpersonal relations with supervisors, peers, and subordinates
5.Advancement	5. Salary, Status
6.Opportunities for personal growth or development	6.Job Security, Personal Life

The core concept of this theory is that an individual cannot achieve higher performance only by improving the working environment. Organizations must go beyond hygiene and actively create conditions that promote job enrichment, such as giving employees more autonomy, responsibility and opportunities for achievement and growth.

Industry example: Google

Google offers a compelling example of Herzberg's Two-Factor Theory in practice by clearly addressing both hygiene factors and motivators to enhance employee satisfaction. On the hygiene side, Google ensures a supportive and comfortable work environment through competitive salaries, campus-style office spaces, free gourmet meals, wellness programs, and other benefits that prevent dissatisfaction. However, what truly sets Google apart is its focus on motivators—those intrinsic elements that drive higher engagement and fulfillment. Employees are given creative freedom, including the famous 20%-time policy, which allows them to work on passion projects outside their core responsibilities. They also receive public recognition for their contributions and have opportunities to work on innovative, cutting-edge projects. This balanced approach ensures that while basic needs and comforts are met, employees also feel challenged, valued, and inspired, leading to higher motivation and long-term commitment.

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3. Alderfer's ERG theory

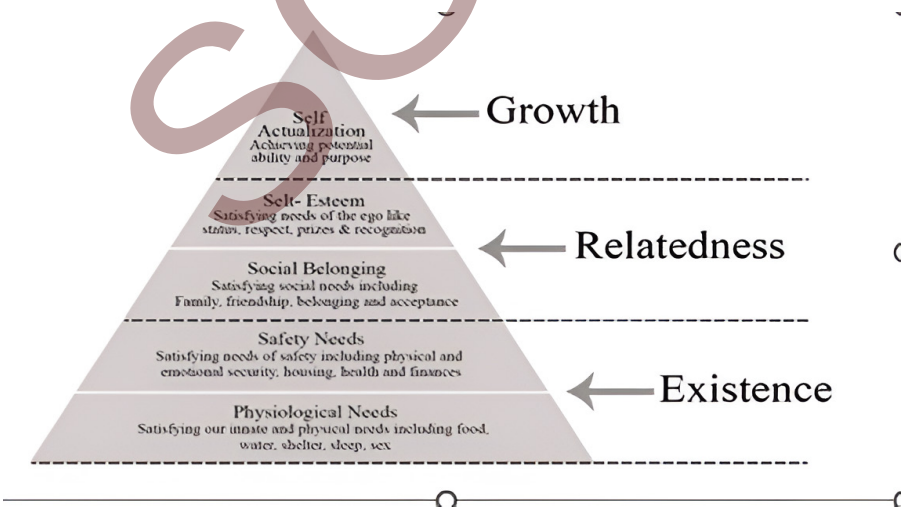
ERG theory, developed by Clayton Alderfer, is a modification of Maslow's needs hierarchy theory. In its place of the five needs that are hierarchically organised, Alderfer proposed that basic human needs into three categories specifically, existence, relatedness, and growth. The difference between ERG theory and Maslow theory is that ERG theory does not rank 'needs' in any particular order and explicitly distinguishes that more than one need can be activated at any point of time. In other words, the results of the lower-level needs do not require to accomplish higher level needs.

i. Existence needs This need consists of basic requirements for living. It comprises both psychological needs and safety needs of Maslow's theory. psychological and safety needs include health, secure employment, and property.

ii. Relatedness needs This explains the importance of interpersonal relationship between individuals and their social interaction. The main purpose of maintaining interpersonal relationship is to get public recognition and reputation. It is aligned with Maslow's social and esteem needs.

iii. Growth needs These needs explain the importance of intrinsic desire for personal development. In other words, it is for self-development and personal growth and advancement. This need comprises Maslow's esteem needs and self-actualisation needs. ERG theory explains that more than one need is operational at the same time and fulfilment of a higher-level need is subdued, there is an increase in desire for satisfying a lower-level need. On the other hand, Maslow explains that an individual remains at a particular need level, until it is satisfied.

Figure: 4.3 Comparison of Maslow's Hierarchy of Needs and Alderfer's ERG theory



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The key difference between Maslow's and Alderfer's theories is that

a. Alderfer combined five needs to three needs

b. According to Alderfer, all three need categories can operate simultaneously while Maslow emphasizes a strict order of experiencing the categories of needs.

c. As per Maslow, a person can move from the needs of lower levels to the needs of higher levels whereas as per Alderfer, a person can move from lower levels to higher as well as in the opposite direction or can even feel the needs simultaneously.

Industry Example: Hindustan Unilever Limited

Hindustan Unilever Limited (HUL) provides a strong example of Alderfer's ERG Theory of Motivation in action, effectively addressing employees' Existence, Relatedness, and Growth needs. To meet existence needs, HUL offers competitive salaries, robust health benefits, wellness programs, and a safe, well-equipped work environment. The company also ensures job security and physical comfort, forming a strong foundation for employee well-being. Relatedness needs are fulfilled through a vibrant, collaborative culture where team-building activities, mentoring programs, and open communication foster strong interpersonal connections. HUL actively promotes a sense of belonging through employee engagement initiatives and cross-functional teamwork. For growth needs, HUL provides abundant opportunities for personal and professional development. Its flagship programs like the Unilever Future Leaders Program (UFLP), along with international exposure, continuous learning platforms, and innovation-driven roles, empower employees to grow and excel. By allowing flexibility in need fulfillment—where employees can simultaneously pursue different levels—HUL exemplifies how ERG theory can be successfully applied to enhance motivation, engagement, and retention in a modern workplace.

4. McClelland's Theory of Needs

Formulated by psychologist David McClelland in the 1960s, this theory presents human motivation as being fueled by three strong needs, which are acquired through time, particularly with experience and cultural influence. They are-

a) Need for Achievement

b) Need for Power

c) Need for Affiliation

a. Need for Achievement- This refers to an individual's drive to excel, achieve goals, and meet standards of excellence. It reflects behaviour directed toward success and competitive accomplishment. McClelland observed that individuals with a high need for achievement tend to perform better than those with moderate or low achievement needs.

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Key characteristics of high-need achievers include:

i. Strong sense of personal responsibility – They prefer to take charge of tasks and seek their own solutions rather than relying on others.

ii. Goal-oriented mindset – They choose moderately challenging goals, neither too easy nor too risky, and are willing to take calculated risks to succeed.

iii. Desire for feedback – They actively seek performance feedback to understand how well they are doing and where they can improve.

b. **Need for Power**-The Need for Power means some people really like being in charge or having influence over others. They enjoy making decisions, leading a group, and feeling like others listen to them. This can show up in two ways: good power, where someone uses their influence to help a group succeed, and selfish power, where someone just wants to boss others around. For example, a class monitor who wants to make the class better and help classmates is using power in a good way. But if they only want to feel important and control others, that's selfish power.

c. **Need for Affiliation** – This refers to the desire to establish and maintain friendly, warm relations with others. They enjoy spending time with others, working in teams and keeping everyone happy. These people don't like conflict and try to avoid arguments. They feel good when others accept them and like to help people get along. They value the feelings of others.

Industry Example: ICICI

ICICI Bank, one of India's largest private sector banks, offers a vivid example of how McClelland's Theory of Needs—Need for Achievement, Need for Power and Need for Affiliation and operates in a high-performance, target-driven environment. For individuals with a high need for achievement, the bank offers a performance-driven culture where ambitious targets, performance-based incentives and fast-track promotions fuel a strong desire to excel. Employees are encouraged to take ownership of their goals, and their accomplishments are recognized and rewarded. Those with a strong need for power find opportunities to influence and lead through strategic assignments, cross-functional roles, and structured leadership development programs that prepare them to manage teams early in their careers. At the same time, ICICI Bank supports the need for affiliation by fostering a sense of belonging through team-building initiatives, corporate social responsibility (CSR) projects, and peer mentoring programs. This well-rounded approach allows the bank to engage a diverse workforce by aligning roles, rewards, and opportunities with each individual's dominant motivational need, ultimately driving productivity, satisfaction, and long-term retention.

5. McGregor's Theory X and Theory Y

Douglas McGregor developed two distinct views of human being based on participation of workers. The first is basically negative and was labelled as Theory X and

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the other which is basically positive, being labelled as Theory Y. Theory X and Theory Y suggest, two aspects of human behaviour at work. The following are assumptions.

Assumptions of Theory X

- ◊ Intrinsically, a typical employee dislikes working and tries to avoid it whenever possible.
- ◊ Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organisational goals. Therefore, managers need to provide close supervision which results in more of a dictatorial approach.
- ◊ Typically, employees value job security more than aspiration or ambition, and lack aspiration or ambition
- ◊ Responsibility is generally disliked by employees.
- ◊ The employees are resistant to change.
- ◊ Most employees require formal guidance.
- ◊ People are generally gullible and not very sharp and bright.

Assumptions of Theory Y

- ◊ Work can be perceived as relaxed and normal by employees. This allows them to exercise their physical and mental capacities effectively.
- ◊ The employees are truly dedicated to achieving the organisational objectives, employees may not require threats, external control and coercion to do their work.
- ◊ Those who are rewarded and satisfied at work will be loyal to their employers and committed to the business.
- ◊ People assume responsibility and are capable of directing their own behaviour.
- ◊ Organisational problems can be solved by utilizing the employees' creativity, resourcefulness, and innovative abilities.

In essence, McGregor's theory encourages managers to reflect on their assumptions about employees and adopt a more positive, empowering approach to leadership that taps into the potential of human motivation.

Industry Example: Theory Y – Toyota

Toyota, the global automobile manufacturer, is widely known for adopting a Theory Y style of management, particularly through its renowned Toyota Production System (TPS). Employees are seen as valuable contributors who are capable of innovation,

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responsibility, and problem-solving. Toyota empowers its workers on the shop floor with practices like "Kaizen" (continuous improvement) and allows them to stop the production line if they detect a problem—an extraordinary level of trust and accountability. This reflects Theory Y's belief that when employees are respected and trusted, they become more motivated, productive, and committed to the organization's goals.

Theory X - Coal India Limited

Coal India Limited (CIL), a large public sector enterprise, has traditionally operated with a Theory X management approach—especially in lower-tier job roles. With a massive workforce involved in mining operations, management tends to follow strict rules, detailed supervision, and limited decision-making authority for frontline workers. The system assumes employees may not take initiative on their own and thus require close oversight, defined roles, and external incentives like bonuses or penalties to ensure productivity. This approach reflects the classic Theory X mindset that people need control and direction to stay motivated.

Both these theories highlight how organizational structure, nature of work, and industry type can influence whether companies lean more toward Theory X or Theory Y assumptions—and how that, in turn, affects workplace culture and performance. Now, let's discuss process theories.

B. Process Theories

1.Vroom's Expectancy Theory

Unlike earlier theories, whose emphasis was on what drives employees, expectancy theories seek to provide an explanation of how motivation is happening in the minds of employees. The Expectancy Theory, developed by Victor Vroom in 1964, explains motivation as a result of a person's belief that their effort will lead to good performance and in turn, bring a valued reward. It is based on the idea that people are motivated when they expect that their hard work will lead to success (expectancy), that success will result in a reward (instrumentality), and that the reward is something they value (valence). If all three elements—expectancy, instrumentality, and valence are high, the individual will be strongly motivated. However, if any one of these is low, motivation decreases. For example, an employee who believes they can perform well, knows that good performance will earn a bonus, and really values that bonus, will be highly motivated to work hard. This theory helps managers understand how to align employee effort with performance and meaningful rewards. Thus, the key constructs in this theory are:

a. Valence: Valence, according to Vroom, means the value or strength one places on a particular outcome or reward.

b. Expectancy: It relates efforts to performance.

c. Instrumentality: It refers to the belief that performance is related to rewards.

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Thus, Vroom's, motivation can also be expressed in the form of an equation as follows:

Motivation= Valence× Expectancy× Instrumentality

Since the model is multiplicative in nature, all three variables must have high positive values to result in motivated performance. If any one of the variable approaches to zero , the overall motivation level will also tend towards zero. However, this theory also faces some criticism.

In other words, even if two factors are strong the absence of the third can significantly reduce an individual's motivation to pay own.

a. Overemphasis on Rationality: The theory assumes that individuals are always logical and rational. In reality, people are often driven by emotions, habits, peer pressure, or unconscious biases.

b. Neglects Individual and Situational Differences: This theory fails to describe the individual and situational differences

c. Culturally Limited Perspective: It does not account for cultural or social factors that influence motivation. What is seen as a valuable reward in one culture may not hold the same value in another.

d. Mismatch Between Performance and Rewards**:** In many workplaces, high performance doesn't always lead to better rewards due to politics, favouritism, or poor appraisal systems—contradicting the theory's assumptions.

e. Over focus on Extrinsic Motivation: Focus is mainly on extrinsic motivation and it overlooks intrinsic motivators like personal growth, autonomy or job satisfaction.

In spite of these criticisms, the greatest strength of Vroom's Expectancy Theory is that it helps to explain why a significant portion of the workforce may put in minimal effort especially when they believe their efforts won't lead to meaningful rewards.

Industry Example: Accenture

Accenture, a global professional services firm, offers a strong example of Vroom's Expectancy Theory in action by aligning employee effort, performance, and rewards to drive motivation. The company ensures expectancy by providing clear performance metrics, regular feedback, and transparent goal-setting processes, so employees understand how their efforts directly impact their performance outcomes. Instrumentality is reinforced through a merit-based system where high-performance leads to tangible rewards such as bonuses, fast-track promotions, and international project opportunities. Finally, Accenture addresses valence by offering rewards that match individual preferences—be it financial incentives, career development programs,

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flexible work arrangements, or global mobility options. By linking effort to performance and performance to personally valued rewards, Accenture effectively leverages Vroom's theory to foster a highly motivated and engaged workforce.

2. Adam's Equity Theory

Adams' Equity Theory, developed by John Stacey Adams in 1963, is a process theory of motivation that focuses on the concept of fairness in the workplace. It suggests that employees are motivated not just by rewards themselves, but by how fairly they perceive those rewards to be in comparison to others. Equity in this context, can be defined as a ratio between inputs and outputs. According to this theory, there should be a balance between employee's "inputs" (hard work, skill level, acceptance, enthusiasm, etc) and "outputs. (salary, benefits, intangibles such as recognition, etc.). However, when an imbalance or inequity is perceived for instance, if someone feels they're putting in more effort but receiving less reward compared to others it creates psychological tension. This tension can lead to dissatisfaction, reduced motivation, or even changes in behaviour.

A proper balance of input and output ensures that an employee is satisfied and motivated, which contributes to their productivity. In order to make sense of this, we must first understand what types of things constitute both inputs and benefits. Inputs are the actions that an individual takes to assist an organization in reaching a goal. Benefits (outputs) are the things that an individual receives as a result of assisting a company in reaching a goal. When a co-worker takes credit for an employee's work, the Equity Theory suffers from a massive imbalance.

The equity theory suffers from problems such as people may overestimate their own contributions and the rewards other receive. People will tolerate certain inequalities for some time, but prolonged feelings of inequity may result in strong reactions.

Industry Example: Infosys

Infosys provides a relevant example of Adams' Equity Theory, which emphasizes that employees compare their input–output ratios (like effort vs. reward) with those of their peers, and motivation is influenced by perceived fairness. Infosys actively works to maintain this sense of equity by ensuring transparent compensation structures, regular salary benchmarking, and role-based pay parity. For instance, during appraisal cycles, Infosys uses a calibrated performance review system where employees are assessed not only by their managers but also through cross-functional feedback. This reduces bias and enhances fairness in evaluations. Moreover, Infosys maintains open communication about promotion criteria and career progression, allowing employees to see a clear link between their efforts and the rewards they receive. When employees perceive that their peers are being rewarded similarly for comparable contributions, it builds trust and motivation. Conversely, if any imbalances are perceived, managers are trained to quickly address concerns to restore perceived equity. By focusing on fair treatment, transparent processes, and open communication, Infosys effectively applies Equity Theory to maintain employee satisfaction, reduce turnover, and foster a performance-driven culture.

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3. Goal Setting Theory

Edwin Locke came up with the Goal-Setting Theory, which says that people perform better when they have clear and challenging goals. The theory suggests that when individuals are committed to goals and receive feedback, they are more likely to put in greater effort and stay focused. Goals serve as a roadmap, guiding behaviour and encouraging persistence. The more precise and demanding the goal, the higher the performance will be, provided the individual accepts the goal and believes they can achieve it. This theory is a very powerful technique of motivation

Industry Example: Amazon

Amazon offers a powerful example of Goal-Setting Theory in action, where clear, specific, challenging goals drive individual and organizational performance. By using the OKR (Objectives and Key Results) system, Amazon sets clear, specific, and challenging goals that give employees a focused direction and a strong sense of purpose. For example, teams may be tasked with reducing delivery times by a certain percentage or improving customer satisfaction scores within a quarter. These goals are measurable, time-bound, and aligned with the company's larger strategic vision. Employees are encouraged to participate in setting their own goals, which increases their engagement and ownership. Regular progress reviews, data-based feedback, and recognition of high achievers further motivate individuals to meet and exceed expectations. This goal-centric culture, supported by accountability and ongoing support from leadership, reflects how Amazon effectively applies Goal-Setting Theory to drive consistent performance and innovation.

4. Reinforcement Theory

Reinforcement theory of motivation was proposed by BF Skinner and his associates. He has contributed a new concept of motivating people which could be called as" behaviour technology", "behaviour modification" or "positive reinforcement". It states that individual's behaviour is a function of its consequences. It is based on "law of effect", i.e., individual's behaviour with positive consequences tends to be repeated, but individual's behaviour with negative consequences tends will not be repeated. According to Skinner, the external environment of the organization must be designed effectively and positively so as to motivate the employees. This theory is a strong tool for analysing controlling mechanism for individual's behaviour. However, it does not focus on the causes of individual's behaviour. He suggests that people perform better and gain better in psychological satisfaction on the job when they receive proper appreciation and praise for their good work.

Industry Example: Marriott International

Marriott International, one of the world's leading hospitality brands, demonstrates the principles of Reinforcement Theory by consistently using positive reinforcement to shape and encourage desired employee behaviours. For example, Marriott runs structured employee recognition programs like "Spirit to Serve" and "Award of Excellence,"

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where staff members are publicly acknowledged and rewarded for exceptional service, customer satisfaction, and teamwork. This positive reinforcement—which includes praise, monetary incentives, certificates, and career advancement opportunities—motivates employees to repeat those high-performing behaviours. Marriott also uses immediate feedback and performance tracking to recognize achievements in real time, making reinforcement more effective. On the other hand, undesirable behaviours such as consistent tardiness or failure to follow service standards are addressed with corrective coaching or loss of privileges, reflecting negative reinforcement or mild punishment strategies. By applying reinforcement principles consistently, Marriott builds a service-oriented culture, boosts employee morale, and maintains high standards of customer service across its global properties.

Case Study: Herzberg's Two-Factor Theory at CareWell Hospital

CareWell Hospital is a reputed private healthcare institution. While patient satisfaction remained high, internal staff feedback indicated growing discontent, particularly among the nursing and administrative teams. Management noticed a dip in morale and rising turnover, despite offering competitive salaries. An internal survey revealed the following: Complaints: Nurses felt overburdened due to poor staffing ratios, there was no proper break area or cafeteria facilities, they were unhappy with rigid schedules and poor coordination from supervisors. Many felt management rarely communicated or appreciated their daily efforts. Apart from that there were no opportunities for professional development or skill-building, Promotions were rare and career progression was unclear. Outstanding performers were not recognized or rewarded meaningfully. Work was routine and lacked challenges or variety.

The Care well management team after diagnosing the situation have implemented certain strategies such as flexible scheduling and increased staffing, supervisor training to improve communication and feedback, monthly recognition awards and personalized appreciation notes, sponsored certification courses and clearer promotion paths.

Within 6 months, employee satisfaction scores improved. Nurses reported feeling more valued and engaged. Turnover reduced and internal referrals for jobs increased which was a clear sign of improved workplace morale.

Questions

1. Identify the hygiene factors in the CareWell Hospital case. How did their absence contribute to employee dissatisfaction, and what actions did management take to address them?

2. What specific motivators were introduced by the management? How did these help in improving job satisfaction among employees?

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3. If you were part of CareWell's HR team, what additional strategies could you suggest to strengthen both hygiene factors and motivators to further enhance employee engagement?

Summarised Overview

Motivation is one of the fundamental forces driving human behaviour and is understood in terms of a number of theories as to why people behave as they do. The theories of motivation are divided into content theories and process theories. Content theories aim to determine what drives people. Whereas process theories, however, describe motivation processes such as Maslow's Hierarchy of Needs – which provides a progression from physiological basic needs all the way to self-actualization, whereas Alderfer's ERG Theory condenses these into three: existence, relatedness and growth. McGregor's Theory X and Theory Y detail two types of assumptions regarding human nature and work motivation and participation—one authoritarian and one participative. Herzberg's Two-Factor Theory separates these into motivators that result in job satisfaction and hygiene factors preventing dissatisfaction. McClelland's Needs Theory postulates that achievement, power, and affiliation are the major behaviour drivers. In addition to the above-mentioned theories, process theories, however, describe motivation processes. Vroom's Expectancy Theory suggests that motivation is a function of expecting effort resulting in performance and performance resulting in rewards. Goal Setting Theory focuses that difficult yet effective goals along with feedback improve performance. Equity Theory is concerned with perceptions of fairness and how people compare their input-output ratio with that of others. An overall understanding of these theories of motivation provides valuable insight into what drives individuals and how organizations can create environment that support motivation, performance and satisfaction.

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Self Assessment Questions

1. Define motivation and explain its importance in organizational behaviour.
2. Explain the core principles of Maslow's Hierarchy of Needs theory.
3. Describe the main assumptions of McGregor's Theory X and Theory Y.
4. Summarize Herzberg's Motivation-Hygiene Theory and explain the difference between motivators and hygiene factors.

5. Explain Vroom's Expectancy Theory and its three main components.

6. What are the three primary needs in McClelland's Theory of Needs, and how do they influence employee behaviour?

Assignment Questions

1. Using Vroom's Expectancy Theory, analyse how a manager can effectively motivate a disengaged employee. Explain how the three key components—Expectancy, Instrumentality and Valence can be realigned through changes in management practices, feedback or incentives to improve the employee's motivation and engagement at work. Provide a practical workplace example to support your answer.

2. Write an analytical essay on McGregor's Theory X and Theory Y, focusing on their relevance in today's workplace. Explain the core assumptions of each theory, then critically evaluate which management style Theory X or Theory Y is more effective in contemporary organizations. Support your argument with real-world examples, such as Google's open and innovative work culture (Theory Y) or the more hierarchical, control-based approach of traditional manufacturing firms (Theory X). Your essay should include an introduction, a well-structured body with comparisons, and a conclusion that reflects your reasoned judgment.

3. You have recently been appointed as an HR manager at a mid-sized IT firm facing high employee turnover and low morale. Using concepts from both Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, design a practical employee engagement plan to address these issues. Explain how each stage of Maslow's model and the hygiene-motivator factors from Herzberg's theory would guide your decisions. Justify your plan with examples such as policy changes, reward systems, or work-place environment improvements."

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Unit 2

Leadership and Group

Learning Outcomes

By the end of this unit, learners will be able to:

- ◊ define leadership and understand the essential qualities of effective leaders
- ◊ comprehend various leadership theories including trait-based, behavioural, contingency, and modern approaches
- ◊ familiarize the concept of group and its relevance in workplace
- ◊ distinguish between different types of groups in organizational settings
- ◊ analyse the stages of group development and their impact on performance of group.

Background

As the saying goes, "A leader is one who knows the way, goes the way and shows the way". Leadership is one of the most dynamic and multidimensional concepts in the study of human behaviour and organizational success. It has been studied extensively over the years and has greater importance than ever before. Leaders are said to be change agents in which they create a shift in the behaviour of the followers either positively or negatively. In this unit, the concept of leadership is discussed. It explores four main eras in leadership theory: trait, behavioural, contingency, and contemporary leadership theories. In addition to leadership, understanding group dynamics is essential, as leaders often function within or lead groups. Groups play a crucial role in organizational life, influencing decision-making, collaboration and overall performance. This integrated approach provides a solid foundation to study both leadership and group behaviour: two essential pillars of Organizational Behaviour.

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Keywords

Leadership, Leader Qualities, Trait Theory, Behavioural Theory, Contingency Theory, Group, Cohesion, Group development, Forming

Discussion

Let's begin with someone who needs no introduction, Dr. A.P.J. Abdul Kalam, fondly remembered as the "Missile Man of India" and one of the most admired President, our country has ever seen. Born into a modest family in Rameswaram, Tamil Nadu, Dr. Kalam rose to become a leading scientist, steering India's space and missile programs to global recognition.

But what truly set him apart as a leader par excellence was not just his brilliance in science and technology, but his humility, integrity, and vision. He inspired millions, especially the youth, not just by talking about dreams, but by teaching them how to chase those dreams with purpose and courage. He never demanded respect; he earned it through action, simplicity, and service.

4.2.1 Meaning and Definition

Leadership is the skill or an art of directing, motivating and persuading people to work towards a common objective. In any organization whether it's a business, a hospital, a school, or a government body, people don't just need instructions; they need direction. That's where leadership comes in. It's not just about giving orders, but about motivating and mobilizing individuals to work together toward shared objectives.

In simpler terms, leadership is the ability to lead others with clarity and confidence, steering them toward the vision and goals of the organization. Several scholars have defined leadership in insightful ways:

- ◊ According to Terry, "Leadership is the ability of influencing people to strive willingly for mutual objectives".
- ◊ According to Keith Davis, "Leadership is the process of encouraging and helping others to work enthusiastically towards objectives".
- ◊ According to John Gardner (1990),"Leadership is the process of persuasion and example by which an individual (or leadership team) induces a group to take action that is in accord with the leader's purpose or for the shared purposes of all."

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In all these definitions, one thing remains clear that is leadership is not a title of power; it is a continuous process of influence, motivation, and purpose-driven action.

4.2.1.2 Features of leadership

The features of leadership are as follows:

a. Leadership is the process of influencing behaviour of individuals of an organization.

b. Leadership uses non-coercive methods to direct and coordinate the activities of the individuals of an organization.

c. Leadership directs the individuals to attain the tasks assigned to them by following the instructions of their leaders.

d. Leadership is a continuous process of influencing other's behaviour.

e. There is a reciprocal relationship between leader and followers which arises out of functioning for a common goal.

Do You Know?

Leader vs Manager:

A leader leads by example, while a manager often dictates terms. A leader is someone people choose to follow: someone who guides, inspires and supports others. On the other hand, a manager is someone responsible for directing and controlling the work and staff in an organisation. The following table states a few subtle differences between the two:

Leader	Manager
Innovator	Administrator
People Focused	Work focused
Have followers	Have subordinates
Do the right thing	Do things rightly
Creating value	Counting value
Change seeker	Prefer stability
Influence and inspire	Power and control

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4.2.2 Qualities of a Leader

Leadership isn't just about issuing commands; it's about having the influence and vision to inspire others and guide them toward a shared goal. In today's fast-paced world, leadership calls for much more than technical know-how. It places a premium on a dynamic set of personal qualities that establish credibility, build trust, spark motivation and allow leaders to navigate challenges with grace and resilience. Globalization and changing workplace dynamics have also redefined the classic image of a leader. Gone are the days when leaders were seen as distant authority figures. Today's most effective leaders are those who are approachable, emotionally intelligent and deeply connected to their people. They lead with both head and heart thereby balancing strategy with sensitivity.

Let's explore the essential qualities that define impactful and modern leadership:

a. **Mental and Physical Health**- Leadership isn't a relaxed desk job, it comes with constant decision-making, stress and responsibility. A leader must maintain both mental and physical well-being to effectively manage responsibilities, handle crises and lead others with focus and energy.

b. **Knowledge and Intelligence** – Effective leadership is based on these two characteristics. A competent leader makes strategic and well-informed decisions by becoming aware of current events and trends. A leader needs to have practical intelligence also in order to evaluate various circumstances sensibly, think critically and act with sound judgment which is just as important for leadership as academic knowledge.

c. **Sense of Responsibility** – This is a fundamental quality of a leader. It means consistently fulfilling obligations, taking ownership of decisions and outcomes and being accountable for both successes and failures within the team or organization. A responsible leader reliably meets commitments, inspires trust and sets an example by addressing challenges directly and supporting the growth of others

d. **Motivation** – A motivated leader inspires enthusiasm and drive in others by maintaining a positive attitude and demonstrating passion for the team's goals. Their commitment encourages team members to overcome obstacles and achieve high performance together.

e. **Initiative and Drive** – A leader with initiative and drive proactively identifies opportunities and takes decisive action without waiting to be prompted. Their energy and forward-thinking approach inspire others to be proactive, embrace challenges, and continuously seek improvement

f. **Communication skills** - A good leader should be eloquent and should be able to articulate his/her vision and goals with brevity. A good leader must articulate ideas, vision, and expectations with clarity and conviction. Whether it's one-on-one or addressing a crowd, their ability to connect through words is a powerful tool.

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g. **Adaptability** –Adaptability is essential in a world where the only thing that is constant is change. A successful leader remains open to new ideas, welcomes innovation and can pivot strategies when the situation demands. Flexibility and openness to feedback are those which keep them and their teams relevant and resilient.

4.2.3 Theories of leadership

Not all leaders are the same and that's because people have different ideas about what makes someone a great leader. Over the years, experts have tried to answer one big question: What makes someone a leader? To answer this, various leadership theories have emerged, each offering a different perspective on how leadership works. Some focus on who a leader is (traits), others on what a leader does (behaviour) and some on how a leader adapts to different situations (context or contingency).

Let's discuss the foundational leadership theories:

- ◊ Great Man Theory
- ◊ Trait Theory
- ◊ Behaviour Theory
- ◊ Contingency Theory

Great Man Theory

Great man theory of leadership is the most prior theory of leadership. This theory says that leaders are born and not made. A leader is a leader by birth. The person, who has the ability to lead in every aspect of his life from his birth. A leader possesses the quality of leadership, and the one who does not possess it cannot be a leader. According to this theory of leadership, successful leaders are born with all the necessary qualities of leadership such as positivity, confidence, responsibility, strategic thinking etc.

Trait theory

This theory is the traditional theory of leadership which rests on the assumption that leadership is based on certain inborn qualities or traits. It suggests that leaders are born, not made. People who naturally have traits like confidence, honesty, intelligence, and determination are more likely to become strong leaders. It is said that leaders are just born to lead. "Example**:** Mahatma Gandhi is a great example: his courage, resilience, and honesty inspired millions to follow him and believe in his vision.

However, this theory suffers from the following limitations:

1. This theory is not accepted as a valid theory.
2. Despite decades of research, scholars have not been able to agree on a definitive, universally accepted set of leadership traits. Different studies propose different trait lists, resulting in ambiguity and subjectivity when identifying what traits

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make a good leader.

3. Measurement of these traits is a difficult process.

4. This theory ignores situational factors.

5. This theory emphasis on the limited value for training and development.

While Trait Theory helped to lay the groundwork for leadership studies, it is considered incomplete without including situational, relational and developmental perspectives. Leadership is not just about who you are: it's also about what you do, how you adapt, and how you grow.

2. Behavioural Theory

Behavioural Theory shifts the focus of leadership studies from who a leader is to how a leader act. Unlike Trait Theory, which emphasizes the personnal characteristics of a leader, Behavioural Theory focuses on how a leader behaves. It suggests that leadership is shaped by one's actions rather than by innate qualities. According to this theory, individuals can develop leadership skills through learning, experience, and practice, rather than being born with them.

The main difference between trait theory and behavioural theory lies in the process of becoming a leader. Trait Theory suggests that individuals are naturally equipped with leadership qualities and Behavioural Theory believes that anyone can become a leader by acquiring and practicing the necessary skills. Two major contributions to Behavioural Theory come from:

a. Ohio State University Studies, which identified leadership behaviours such as 1. initiating structure (task-oriented behavoiur), 2. Key dimensions of (relationship -oriented behaviour)and consideration

b. University of Michigan Studies, which focused on employee-centered (employee needs and satisfaction) and production-centered leadership styles(focused on task accomlidhment and productivity).

These foundational studies helped establish that effective leadership is not fixed but can be developed, observed, and taught.

3. Contingency Model

Fiedler's Contingency Model states that the success of leadership depends upon the situation in which the leader operates. A leader's effectiveness depends on how well their leadership style matches with specific situation. According to this model, a leader who performs well in one scenario may not be equally successful in a different situation. This highlights the importance of adaptability and situational awareness in leadership. For example: Suppose a manager prefers to communicate mainly through emails. However, a new team member struggles to respond well to this method. To maintain team performance, the manager must adapt by engaging in more face-to-face communication or assigning an assistant manager who is better at personal interactions.

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In this case, the manager's effectiveness isn't based on personal traits alone, but rather on how appropriately they respond to the situation.

In summary, Fiedler's Contingency Model emphasizes that effective leadership is not fixed, but relies on the alignment between leadership style and the specific demands of the environment.

Modern theories on Leadership

1. Transformational Leadership

Transformational Leadership is a modern leadership theory that concentrates on inspiring and motivating followers to achieve outstanding outcomes and helping them to develop themselves and their careers. This theory was originally introduced by James MacGregor Burns and later expanded by Bernard Bass. The theory emphasizes the leader's role in creating a vision, building trust, and driving positive organizational change.

Transformational leaders are not only task-oriented, they are visionary thinkers who emotionally charge their people to provide them with a sense of purpose and ownership. They treat each employee uniquely, provide them with guidance, and wager on personal development. Transformational leaders create innovation, stimulate job satisfaction, and enable employees to perform at their full capacity.

This kind of leadership works well in the unstructured modern business world where adaptability, trust, and development orientation are the keys to sustainable success.

2. Transactional Leadership

Transactional Leadership is a leadership style in which leaders motivate followers through a structured system of rewards and punishments, placing a strong emphasis on order, supervision and measurable performance rather than on innovation or personal growth.

Unlike transformational leaders who focus on vision, creativity, and inspiration, transactional leaders concentrate on efficiency, task completion, and maintaining organizational stability. Transactional leaders establish clear-cut roles, place correct goals, monitor progress keenly, and intervene when performance dips below standard.

This type of leadership works best in formal, rule-governed settings with repetitive tasks, routine processes, and expected outcomes. Example: A project manager who establishes clear target dates, pays bonuses for achieving goals, and gives official warnings when expectations are not fulfilled is using transactional leadership methods.

3. Charismatic Leadership

Charismatic Leadership is a leadership style where the leader's personal charm, confidence, and persuasive communication play a central role in influencing and inspiring followers. These leaders create a strong emotional connection with their team, often gaining deep trust, loyalty, and admiration.

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Charismatic leaders have the ability to energize people around a vision, especially during times of uncertainty or crisis. Their passion, conviction, and dynamic presence often inspire followers to go beyond their normal performance and commit themselves wholeheartedly to a cause or goal.

However, this leadership style can also be risky if the leader becomes too self-centred or if the team becomes overly dependent on one individual for direction and motivation. Example: Martin Luther King Jr. is a classic example of a charismatic leader. His powerful speeches, strong presence, and moral conviction mobilized millions and brought significant social change.

4. Servant Leadership Theory

Servant Leadership is a leadership approach where the leader's primary goal is to serve others especially team members, rather than seeking power, authority, or personal gain. This concept was introduced by Robert K. Greenleaf in the 1970s, emphasizing that great leaders start by putting the needs of their people first. Here, the leader supports, listens, and empowers their team, helping individuals grow and succeed both personally and professionally. Instead of being at the top of the hierarchy, the servant leader acts more like a guide, mentor, and caretaker, fostering trust, collaboration, and shared purpose within the group. Servant leadership promotes ethical behaviour, empathy, humility, and a strong sense of community. Example: Mother Teresa is a widely recognized servant leader, her life was dedicated to serving the poor and the sick, putting others' needs above her own and leading with compassion and humility.

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Types of Leadership Styles

- ◊ **Autocratic Leaders** – Here the leader makes all the decisions and expects others to follow.
- ◊ **Democratic Leaders** – Here decisions are made collaboratively that is the leader involves the team in decision-making.
- ◊ **Laissez-faire or Free Rein -** Here minimal leader involvement is seen and the leader gives a lot of freedom and lets the team work on their own.

Case Study

Zenith Tech Solutions, a mid-sized IT company, was struggling to adapt to a rapidly changing industry that demanded more flexibility, innovation and speed. When Ms. Anjali Menon was appointed as the new Managing Director, she faced stiff resistance from employees accustomed to traditional work methods.

Rather than enforcing top-down changes, Anjali adopted a transformational and servant leadership style. She engaged employees through open forums, empowered team leaders to suggest improvements, mentored young talent, and supported pilot projects that introduced agile practices. Over time, her empathetic and inclusive leadership led to increased employee engagement, faster project deliveries, and a more innovative work culture. Her approach helped build trust and made employees feel valued during a time of significant organizational change. This change in the company results witnessed that 40% improvement in project delivery speed, employee engagement scores rise by 30%, increased innovation which results in three new service models were developed internally. The work culture became more collaborative, innovative, and resilient. Anjali's leadership not only transformed the organization but also won deep respect from employees across all levels.

Discussion Questions

1. What leadership qualities did Anjali display in handling resistance to change?
2. How does this case reflect elements of transformational and servant leadership?
3. Why do you think Anjali's approach was effective in this situation?
4. What challenges might she have faced if she had used an autocratic leadership style instead?

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Now, let's understand the concept of group and the relevance of working in group.

4.2.4 Group

Groups have been a central part of our everyday lives. In the study of Organizational Behaviour, understanding how individuals behave in groups is just as important as understanding their individual actions. Groups form the backbone of most organizational activities and learning how people interact within them is crucial for grasping workplace dynamics. Think about various situations from daily life: working on a college assignment with classmates, playing in a cricket or football team or even being part of a lively family WhatsApp group. These are all examples of groups in action, even if informal. Such experiences offer a glimpse into how individuals come together, coordinate and contribute toward shared goals, much like in formal organizational settings. Now, let's explore the concept of a group and its definition.

4.2.4.1 Concept and Definition

A group is defined as a collection of two or more individuals who interact with each other, interdependent and who have come together to achieve common objectives. Groups are more than just a gathering of people; they involve structured roles, mutual influence and shared goals that shape both individual and collective behaviour within organization. In a group, there is an ongoing relationship in which they interact and influence one another's behaviour and performance.

Schein(1988),defined the group from a psychological perspective, which means a group is any number of people:

- ◊ who interact with one another,
- ◊ who are psychologically aware of one another and
- ◊ who perceive themselves to be a group.

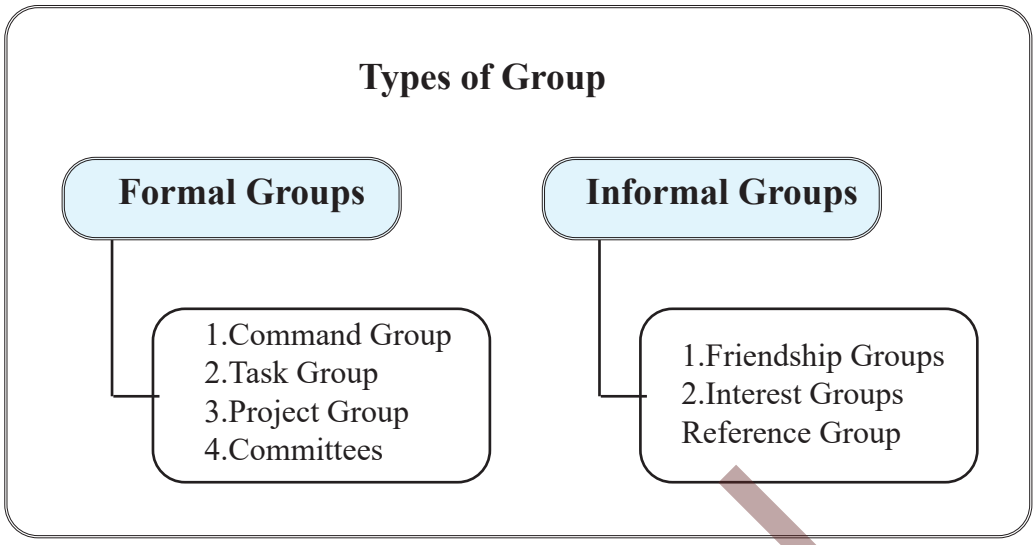
Why do people join in Groups?

- ◊ Goal achievement- Groups help individuals achieve goals more effectively by combining diverse skills, providing support, and fostering accountability and collaboration.
- ◊ Security reasons such as being in a group one feels mentally secured to face problems more vigorously.
- ◊ Sense of belongingness - Joining a group helps to fulfil the fundamental psychological need to belong.
- ◊ Identity and Self-Esteem - Being part of a group can contribute to an individual's sense of identity and bolster self-esteem.
- ◊ Learning and Personal Growth: Group membership allows individuals to learn from others, develop new skills, and foster personal development through shared experiences
- ◊ Status - Nowadays joining certain groups can be seen as a status symbol because membership often reflects prestige, social influence, or access to exclusive networks

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4.2.5 Types of Groups

Groups can beclassified in many different ways on various bases.



a. Formal Groups

An organisation's formal groups are created as part of its organisational structure to accomplish organisational tasks. These groups are required by the organisation, which provides a system of rules and regulations for the achievement of organisational goals. They are governed by hierarchical authority within the organisation. They are required to follow the rules, regulations and policies of the organisation.

According to A.L. Stencombe, "A formal group is said to be any social arrangement in which others plan the activities of some persons to achieve a common purpose". The various types of formal groups are as follows:

i. **Command Group** - A command group is a formal group where employees report directly to a supervisor and follow the organization's structure. They are responsible for completing assigned tasks and meeting targets set by higher management within a given time frame.

ii. **Task Group** – A task group is formed to complete a specific project or solve a particular problem, often bringing together members from different departments. Once the task is accomplished, the group usually disbands.

iii. **Project Group** – A project group is a temporary group created to work on a specific project, often involving members with diverse skills and expertise. The group remains active until the project is completed, after which it may be dissolved.

iv. **Committees** – A committee is a group of people appointed or elected to perform a specific function, often involving decision-making, planning, or reviewing issues. Committees can be permanent (standing) or temporary (ad hoc), depending on their purpose.

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b. Informal Groups

There are informal groups within formal organisations that develop as a result of social needs and individuals' desire to maintain relations with others. Working at an office or plant leads to the formation of informal groups. As a result of their interaction, groups are formed. These groups are spontaneous and emotional in nature. Keith Davis defined an informal group as "the network of persons and social relations which is not established or required for formal organisation." As explained by M Dalton, "Informal groups are cliques". Cliques are groups of people from different levels of an organisation coming together to achieve a common goal. A clique can be horizontal, vertical, or random. Horizontal cliques are composed of people from the same rank or work area. Vertical cliques are composed of people at different levels of the organisation. A random clique consists of employees from both horizontal and vertical lines who share a common interest. The various types of informal groups are as follows:

i. **Interest Group**: In interest groups, employees come together to achieve a common goal, such as bonus payments, salary raises, medical benefits, and other services. People with common interests form interest groups.

ii. **Friendship Group**: They form clubs and associations based on the friendship between people outside the plant or office who share similar views, tastes, opinions and belong to the same age group.

iii. **Reference Group**: In general, it is the group that helps shape their ideas, beliefs, values, etc. Often, families are important reference groups for people. In addition, teams of players playing a game are also reference groups

4.2.6 Stages of group development

The formation of a group cannot be completed within a short period of time. It needs to go through several stages before it becomes mature. These stages are known as forming, storming, norming, performing and adjourning.

Stage 1: Forming

Group formation is the first stage of development. It is during this stage that many difficulties arise as a result of setting objectives and goals, framing rules and regulations, gaining the confidence of the members, framing the structure, determining who should be in charge, and resolving differences between members. Group formation is characterised by uncertainty, which is the group's orientation period. This is a chaotic time when it's crucial to define and redefine the group's purpose, activities and priorities. Members of the group choose their leader or allow an emerging leader to emerge during this stage. When leadership is chosen, another stage occurs, known as storming.

Stage 2: Storming

The storming stage is the time when conflict arises between members of the group. It is the time when group leaders need to pacify and resolve conflicts stemming from

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interpersonal behaviour. During storming, tensions and hostility arise among members, while some have strong resistance to certain opinions or issues. The leader must accept the challenge, settle disputes, and get the members to bury their differences. After all such differences have been settled, the third stage is norming, when the group begins to develop.

Stage 3: Norming

Group cohesion develops under this stage as leadership is established. Members of the group start believing in each other, and mutual understanding develops. A sense of belonging and togetherness is strengthened during this stage. There are no conflicts or misunderstandings between members. Consensus over leadership and goals emerges, and members feel cohesive. Members start identifying with the group. This is the norming stage, and the group now moves on to performing.

Stage 4: Performing:

The interpersonal relationship among members is booming during the performing stage and they establish intimacy. They start opening their hearts to each other. They try to ease the tension that arises out of dissatisfaction. Group members begin to work as a team and interact freely. Members believe that raising minor issues may cause conflict. They want to set aside minor issues. As group members mature, they help each other, understand each other better, and help each other perform better at work. They are aware of their limits and the nature of their involvement and make rational decisions.

Stage 5: Adjourning:

Adjourning is the phase where the group dissolves, involving the completion of tasks, the ending of roles, and a reduction in reliance on one another. Members often experience a mix of emotions as they prepare to separate from the group and the leader. They begin to transition toward new relationships and activities as the group comes to an end. Achievements are recognised, and there's pride in what's been done. People share thanks and appreciation, along with sadness about leaving the team. This stage acts as a guide for future projects and ensures a smooth transition for team members.

These stages represent the natural progression of group development from formation to dissolution, helping members and leaders understand and manage group dynamics effectively

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Stages of Group Formation
Forming Stage - Members get to know each other and set ground rules
Storming Stage - Members come to resist control by group Leaders & show hostility
Norming Stage - Members work together developing close relationships & feelings of Cohesiveness
Performing Stage- Group members work towards getting their jobs done
Adjourning Stage- Group may disband either after meeting their goals or because members leave

Case Study: Team Synergy at Orion Marketing Ltd.

Orion Marketing Ltd. formed a cross-functional team to design a new product launch campaign. The group included members from sales, design, and market research—each bringing different perspectives and priorities. Initially, the team faced frequent disagreements and poor coordination, especially during the storming stage of group development. Conflicts arose between the creative and sales teams over budget priorities, and meetings often ended without clear outcomes. Recognizing the dysfunction, the team leader, Mr. Rohit Sharma, stepped in with a collaborative leadership approach. He established clear goals, encouraged open communication, and set ground rules for respectful discussions. Gradually, the team moved into the norming stage, developing mutual trust and a shared vision. As the performing stage took hold, team members began complementing each other's strengths, creative ideas were aligned with realistic sales targets, and research insights shaped messaging strategy. The final campaign exceeded expectations, generating a 35% increase in product inquiries. This case highlights how understanding and guiding group dynamics, from formation to performance, can turn conflict into collaboration and drive success.

Discussion Questions:

Identify the stages of group development reflected in the case.

What role did the team leader play in improving group dynamics?

How did diversity in team composition affect the group's initial performance?

What strategies helped the team transition from conflict to collaboration?

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Summarised Overview

Leadership is the process of influencing, guiding and motivating individuals or groups toward the achievement of shared goals. Effective leadership involves not just positional authority but a blend of personal qualities like communication, responsibility, adaptability and emotional intelligence. Various leadership theories such as Trait, Behavioural, Contingency and Modern theories like Transformational, Transactional, Servant and Charismatic leadership, attempt to explain what makes an effective leader. Moreover, understanding group dynamics is essential, as leaders often function within or lead groups. Groups play a crucial role in organizational life, influencing decision-making, collaboration and overall performance. To sum up, effective leadership and positive group dynamics are closely intertwined and a strong leadership influences proper functioning of the group, communicate and pursue shared goals, while healthy group dynamics, in turn, empower leaders and enhance overall organizational success.

Objective Questions

1. Define the term group. Why are groups formed?
2. Write a note on how groups are formed?
3. Define the term leadership
4. Explain briefly the qualities of a good leader
5. Write a short note on trait theory of leadership
6. Elaborate the different types of groups.
7. Discuss the contingency theory of leadership.
8. A leader is developed and not born." Do you agree with this? Explain with reasons.

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Assignments

1. Leadership theories like Transformational and Transactional leadership are often applied in modern business contexts. Select a company or leader you admire and analyse their leadership approach using these two theories. Discuss how their style impacted organizational performance, employee engagement, and innovation.

2. Reflect on a group experience you have had (e.g., a project team, student committee, or workplace task force). Analyse the group's dynamics in terms of member roles, norms, communication patterns, and group cohesion. What worked well, what didn't, and what would you do differently if you were leading the group?

3. You are an OB consultant working with Vertex Solutions, a multinational tech firm. Their newly formed Cross-Functional Innovation Team, with members from R&D, Marketing, and Finance, is struggling with ineffective decision-making, role confusion, and declining motivation due to failed product pitches. As a consultant, you have been asked to diagnose the group dynamics issues and offer strategic interventions. Use Five-Stage Model (Forming, Storming, Norming, Performing, Adjourning) to identify and justify the current stage of the team. Provide behavioural evidence from the case to support your analysis.

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MODEL QUESTION PAPER SETS

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SREENARAYANAGURU OPEN UNIVERSITY

Model Question Paper (SET- A)

QP CODE: ……

Reg. No:.....

Name: ……

FIRST SEMESTER MASTER OF BUSINESS ADMINISTRATION DEGREE EXAMINATION

DISCIPLINE CORE COURSE

M26BS01DC - MANAGEMENT PRINCIPLES AND ORGANISATION BEHAVIOUR

Time: 3 Hours Max Marks: 70

Section A

Answer any five of the following questions in one or two sentences each. Each question carries 2 marks.

(5 x 2 = 10)

1. What is Organisational Behavior?
2. List any 2 significance of management.
3. What is Theory X?
4. What is personality?
5. What is Unity of command?
6. Explain why management is both an art and a science
7. What is a job description?
8. List any 2 objectives of planning

Section B

Answer any six of the following questions. Each question carries 5 marks.

(6 x 5 = 30)

9. Explain the Attribution Theory
10. Explain group dynamics and its relevance in organisations.
11. Explain the trait theory of leadership.

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12. Explain the line and staff organisation.
13. Discuss Maslow's Need Hierarchy Theory and its managerial implications.
14. Write a note on centralisation and decentralisation
15. Elaborate on the qualities of a leader
16. Explain the elements of directing briefly?
17. Explain the perception process?
18. Briefly explain Vroom's expectancy theory

Section C

Answer any two of the following. Each question carries 15 marks.

(2x15=30)

19. What do you mean by the term recruitment, and discuss the sources and types of recruitment
20. What do you mean by planning? Briefly explain the steps involved in the process of planning
21. Explain the term motivation. Elaborate on the significance and types of motivation.
22. Define staffing and briefly explain the process of staffing

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Model Question Paper (SET- B)

QP CODE: ……

Reg. No:.....

Name: ……

FIRST SEMESTER MASTER OF BUSINESS ADMINISTRATION DEGREE EXAMINATION

DISCIPLINE CORE COURSE

M26BS01DC - MANAGEMENT PRINCIPLES AND ORGANISATION BEHAVIOUR

Time: 3 Hours Max Marks: 70

Section A

Answer any five of the following questions in one or two sentences each. Each question carries 2 marks.

(5 x 2 = 10)

1. Distinguish between Management and Administration
2. List the five functions of management.
3. What is Scalar Chain?
4. What is personality?
5. What is management?
6. Define motivation
7. What is Esprit de corps?
8. List any 2 objectives of planning

Section B

Answer any six of the following questions. Each question carries 5 marks.

(6 x 5 = 30)

9. Explain the ABC model of attitude.
10. Explain group dynamics and its relevance in organisations.
11. What are the major factors influencing the perception of individuals?
12. Explain Mintzberg's managerial roles with examples.

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13. Discuss Maslow's Need Hierarchy Theory and its managerial implications.
14. Compare Scientific Management and Bureaucratic Theory.
15. Elaborate on the qualities of a leader
16. Explain the Human Relations Approach and its significance.
17. A leader is developed and not born." Justify the statement with reasons
18. Briefly explain Vroom's expectancy theory

Section C

Answer any two of the following. Each question carries 15 marks.

(2x15=30)

19. Critically evaluate the evolution of management thought from Classical to Contemporary approaches.
20. What do you mean by decision-making? Briefly explain the steps involved in the process of decision-making.
21. Explain the various motivational theories
22. Define organisational behaviour. Discuss its scope and the various models of organisational behaviour

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സർവ്വകലാശാലാഗീതം

വിദ്യയാൽ സ്വതന്ത്രരാകണം
വിശ്വപൗരരായി മാറണം
ഗ്രഹപ്രസാദമായ് വിളങ്ങണം
ഗുരുപ്രകാശമേ നയിക്കണേ

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സൂര്യവീഥിയിൽ തെളിക്കണം
സ്നേഹദീപ്തിയായ് വിളങ്ങണം
നീതിവൈജയന്തി പാറണം

ശാസ്ത്രവ്യാപ്തിയെന്നുമേകണം
ജാതിഭേദമാകെ മാറണം
ബോധരശ്മിയിൽ തിളങ്ങുവാൻ
ജ്ഞാനകേന്ദ്രമേ ജ്വലിക്കണേ

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Regional Centres

Kozhikode
Govt. Arts and Science College
Meenchantha, Kozhikode,
Kerala, Pin: 673002
Ph: 04952920228
email: rckdirector@sgou.ac.in

Thalassery
Govt. Brennen College
Dharmadam, Thalassery,
Kannur, Pin: 670106
Ph: 04902990494
email: rctdirector@sgou.ac.in

Tripunithura
Govt. College
Tripunithura, Ernakulam,
Kerala, Pin: 682301
Ph: 04842927436
email: rcedirector@sgou.ac.in

Pattambi
Sree Neelakanta Govt. Sanskrit College
Pattambi, Palakkad,
Kerala, Pin: 679303
Ph: 04662912009
email: rcpdirector@sgou.ac.in

DON'T LET IT
BE TOO LATE

SAY NO TO DRUGS

LOVE YOURSELF AND ALWAYS BE HEALTHY



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The State University for Education, Training and Research in Blended Format, Kerala

Management Principles and Organisation Behaviour

COURSE CODE: M26BS01DC

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Sreenarayanaguru Open University
Kollam, Kerala Pin- 691601, email: info@sgou.ac.in, www.sgou.ac.in Ph: +91 474 2966841